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GENERAL BUSINESS TRADE AND INVESTMENT (GBTI)  
INDEFINITE QUANTITIY CONTRACT

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Quarterly Performance Report  
June 1st-September 30<sup>th</sup>, 2005

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## I. TASK ORDERS: PROGRESS, ACTIVITIES, RESULTS

### A. Ukraine Land Titling Initiative (ULTI), TO #811

*Start Date: June 22, 2001*

*Completion Date: September 20, 2006*

*Amount of Delivery Order: \$22,492,149*

## PROGRESS ON OVERALL OBJECTIVES

### Summary

This month President Yushchenko sacked the long time director of Dershkomzem, A.S. Danylenko then immediately appointed Mikola Sidorenko as the new director of Dershkomzem by Presidential Order 1161/2005. Shortly afterwards, ULTI met the new director. Mr. Sydorenko stated his personal commitment to fulfill President Yushchenko's instructions to put a modern, unified land and building title registration system into operation, emphasizing the need to provide public education and legal aid in every village in every oblast so all citizens understand and can protect their land ownership rights.

ULTI presented the project's activities and results to date. We offered the new Dershkomzem management team a comprehensive technical assistance program within ULTI's current task order to:

- organize, partly finance, and reduce costs of issuance of State Acts for rural land owners;
- increase general public awareness of land ownership rights;
- provide free of charge legal aid to rural land owners in every oblast;
- identify, prepare and help implement the administrative and legal reforms needed to develop a modern, secure land market in keeping with European Union accession criteria.

ULTI assistance to the new management team at Dershkomzem is envisioned to continue direct ULTI support of production of SAs while helping to prepare and implement legislation and administrative reforms through a working group including Ministry of Justice and BTI representatives. At the same time, ULTI also offered Dershkomzem comprehensive management, legal and technical advisory assistance from ULTI experts in order to reduce costs and improve performance in State Act issuance by the Project Implementation Unit (PIU) responsible to implement the World Bank cadastral loan rural land titling program. So far, after 16 months, the \$195 Million WB cadastral loan (including the \$85 million rural land titling component) has not begun any production of any rural land titles and the key PIU positions overseeing the program have been in a state of turnover.

The GOU badly needs new reforms and improved implementation programs to complete the agricultural land reform and to build unified land, building and mortgage markets. This is a complex and vital undertaking affecting 50%, or more, of Ukraine's potential GDP. Further, at best, ULTI believes only about half of the initial 7 million agricultural land titles are issued and practically none of the estimated 10 million rural house and garden plot land titles are done. While the funds in the WB rural land titling program are sufficient to complete most of this land titling, the scope of work of the WB project has yet to be improved to include all the land titling that can and should be done with these funds. These reforms and programs must be properly prepared as well as timely implemented by competent and committed personnel in order fully to implement the rural land reform and realize the expected economic benefits.

There is a lively "corridor" debate on these issues among interested officials in rival institutions seeking to consolidate bureaucratic positions to control the registration and record keeping processes essential for effective operation of these markets. But there also remains a longstanding, 10 year stalemate blocking real

unification of registration, transaction and record keeping tasks under one effective authority whose sole duty is to secure and protect all land and building ownership rights without conflicts of interest. Further, this institutional impasse has hardened and worsened over time by a similarly longstanding lack of public debate, understanding and pressure to reach conclusions that are in keeping with the larger public interest instead of the narrower bureaucratic interests.

To help resolve this impasse and invigorate public understanding and debate of land market issues, ULTI organized and led a major land market policy forum and press conference in Kiev this July. Over seventy GOU, donor, private sector and media stake holders participated. Presentations featured oblast and local government proposals together with DKZ, Ministry of Justice and BTI responses on urgent measures needed to complete the land reform and build equitable and unified land, building and mortgage markets.

ULTI Conference findings and recommendations were detailed in the July ULTI report and include:

- I. Urgent measures needed to complete the agricultural land reform.
- II. Urgent reforms to develop equitable and unified land, building and mortgage markets.

This month, ULTI started a major public information campaign to raise public awareness of these recommendations while presenting them directly to all VR deputies, oblast and raion heads, DKZ, MoJ, BTI and other central government officials and advisors. In particular, these recommendations emphasize the urgent need to improve the scope of work of the WB financed rural land titling project so much more land titling is completed can be completed much sooner. Due to the newly changed DKZ management and the growing GOU interest and pressure to end DKZ and BTI conflicts of interest, an opportunity is now available to build on ULTI's public information campaign and to help the VR and GOU draft, advocate and enact major improvements in Ukraine's legal, regulatory and administrative framework for the land market using the ULTI conference recommendations. This can best be done ULTI by forming and sustaining a working group that includes high level DKZ, MoJ and BTI representatives from the newly formed government. The overarching policy goals of this initiative should be strictly focused on improving the scope of work of the WB project, on amending land, building and mortgage laws to assure faster, more cost-effective completion of the agricultural land reform and to end all of the organizational conflicts of interest and opportunities for corruption in DKZ and BTI processes that have obstructed formation of transparent and secure land, building and mortgage markets over the last 10 years.

This month ULTI continued to work directly with land market stakeholders, oblast and local officials, DKZ, MOE, MOJ and BTI officials and key VR deputies to draft a revised land registration law and implementing regulation as well as a new delimitation law based on the July ULTI conference recommendations. New legislative work also includes preparing improvements to the land lease law to protect new land owners and to draft a new limitation law to ease ownership and investment constraints on land and buildings for local governments. A new local national lawyer has been recruited and is expected to join the staff on a short term basis this fall to strengthen this effort. The completed drafts are expected to be available for submission to the VR this fall.

**ULTI continued to develop new methodologies in small, regional pilot project subcontracts to solve Ukraine's increasingly complex array of incomplete rural land titling problems. This work is essential for improving the WB rural and titling project scope of work to include this incomplete work. In Ivano Frankivsk, Zhitomir and Transcarpathia, ULTI's mass production and performance based payment methods have already reduced costs of preparation and issuance of SAs for house and garden plots from over 150 UAH to 35UAH. If applied nationwide through the WB rural land titling program for an estimated 10 million eligible rural citizens, these methods would save an estimated US \$250 million in unnecessary costs while rapidly accelerating mass scale development of rural land and mortgage markets. In Poltava, Vinnitsa, Volyn Ternopil, and Khemilnitski oblasts, new land titling methods employing legal aid centers to close out old, unfinished and high cost subcontracts while finishing SA issuance under reduced cost ULTI subcontracts to 15 UAH or less per land share for over 100,000 villagers while completing SA issuance in as little as 3 months. If applied for all 2 million such**

incomplete cases through the WB rural land titling program, this methodology would save villagers and the GOU another \$15 million while much more rapidly completing the agricultural land reform.

Additional pilot projects to finish incomplete titling work for land shares, village house plots and garden plots are also in process of selection and organization in the southeastern oblasts where ULTI conditions can be met and when adequate time and funds are available. New land titling subcontracts for these problematic cases are in negotiation and under detailed review for Lugansk, Zaporizhia, Dnipropetrovsk and Criema for compliance with ULTI conditions. These new pilots all target and benefit the large number of land shareholders who have received SAs for only a part of their land shares even after paying in full for a SA for all land in their land share. This manipulated, partial SA issuance practice was widespread throughout southeastern Ukraine and resulted in villagers paying over three times as much to get state acts by repeating charges of all costs and issuing a separate SA for plough land, for hayfields and for pasture lands. In most cases no SAs have been issued for hayfield or pastures and such lands are often used or leased by third parties without compensation paid to land share owners.

Last month, Oblast governors in Odessa, Ivano Frankivsk and Cherkasy oblasts formally requested that ULTI conduct pilot first registration projects to resolve local land market instructions blocking SA issuance needed for new local government economic development projects. These pilot projects are funded but may only be carried out if additional time is available to complete all work prior to the end of the ULTI project.

As of this month, ULTI has issued a total of 1,129,000 State Acts for about 5.5 million hectares of agricultural land by converting 924,319 land shares in 1542 village radas. We issued a total of 10,000 titles this month. ULTI staff have verified that these State Acts have actually been issued.

While production continues at a high rate, issuance has slowed as a result of a sharply growing backlog due to the authorities. This is mainly caused by lack of supply of blank State Act forms from Dershkomzem. The total backlog due to the authorities has now risen to 290,000 LSC's of which 90,000 are already printed and ready to issue, 35,000 are ready to print and waiting for blank forms and 165,000 are surveyed and ready for approval of allocation of parcels by state authorities at general meetings of villagers. The backlog increased by 11,200 LSCs this month.

**Table 1. Status of ULTI State Act Issuance By Oblast**

Note: One work area is generally equivalent to one village rada.

**Table 1.** August 2005.

Oblast	Work Area Status	Data	Total
ВІННИЦЬКА	Completed	Count of work area code	<b>137</b>
		Sum of Contracted LSCs to Convert	<b>97783</b>
		Sum of Actually Issued SAs	<b>98936</b>
	In Progress	Count of work area code	<b>61</b>
		Sum of Contracted LSCs to Convert	<b>29126</b>
		Sum of Actually Issued SAs	
Count of work area code		<b>198</b>	
Sum of Contracted LSCs to Convert	<b>126909</b>		
ВІННИЦЬКА Sum of Actually Issued SAs		<b>98936</b>	
ВОЛИНСЬКА	Completed	Count of work area code	<b>23</b>

		Sum of Contracted LSCs to Convert	<b>11702</b>
		Sum of Actually Issued SAs	<b>11945</b>
	In Progress	Count of work area code	<b>48</b>
		Sum of Contracted LSCs to Convert	<b>24420</b>
		Sum of Actually Issued SAs	<b>1502</b>
ВОЛИНСЬКА Count of work area code		<b>71</b>	
ВОЛИНСЬКА Sum of Contracted LSCs to Convert	<b>36122</b>		
ВОЛИНСЬКА Sum of Actually Issued SAs		<b>13447</b>	
ЖИТОМИРСЬКА	Completed	Count of work area code	<b>222</b>
		Sum of Contracted LSCs to Convert	<b>108204</b>
		Sum of Actually Issued SAs	<b>141825</b>
	In Progress	Count of work area code	<b>183</b>
		Sum of Contracted LSCs to Convert	<b>85182</b>
		Sum of Actually Issued SAs	<b>3904</b>
ЖИТОМИРСЬКА Count of work area code		<b>405</b>	
ЖИТОМИРСЬКА Sum of Contracted LSCs to Convert	<b>193386</b>		
ЖИТОМИРСЬКА Sum of Actually Issued SAs		<b>145729</b>	
ЗАКАРПАТСЬКА	In Progress	Count of work area code	<b>3</b>
		Sum of Contracted LSCs to Convert	<b>12786</b>
		Sum of Actually Issued SAs	
ЗАКАРПАТСЬКА Count of work area code		<b>3</b>	
ЗАКАРПАТСЬКА Sum of Contracted LSCs to Convert	<b>12786</b>		
ЗАКАРПАТСЬКА Sum of Actually Issued SAs			
ІВАНО-ФРАНКІВСЬКА	Completed	Count of work area code	<b>44</b>
		Sum of Contracted LSCs to Convert	<b>28440</b>
		Sum of Actually Issued SAs	<b>31246</b>
	In Progress	Count of work area code	<b>74</b>
		Sum of Contracted LSCs to Convert	<b>41201</b>
		Sum of Actually Issued SAs	
ІВАНО-ФРАНКІВСЬКА Count of work area code	<b>118</b>		
ІВАНО-	<b>69641</b>		

ФРАНКІВСЬКА Sum of Contracted LSCs to Convert			
ІВАНО-ФРАНКІВСЬКА Sum of Actually Issued SAs	<b>31246</b>		
КИЇВСЬКА	In Progress	Count of work area code	<b>151</b>
		Sum of Contracted LSCs to Convert	<b>65344</b>
		Sum of Actually Issued SAs	
КИЇВСЬКА Count of work area code		<b>151</b>	
КИЇВСЬКА Sum of Contracted LSCs to Convert	<b>65344</b>		
КИЇВСЬКА Sum of Actually Issued SAs			
ЛУГАНСЬКА	Completed	Count of work area code	<b>74</b>
		Sum of Contracted LSCs to Convert	<b>35825</b>
		Sum of Actually Issued SAs	<b>35742</b>
ЛУГАНСЬКА Count of work area code		<b>74</b>	
ЛУГАНСЬКА Sum of Contracted LSCs to Convert	<b>35825</b>		
ЛУГАНСЬКА Sum of Actually Issued SAs		<b>35742</b>	
ЛЬВІВСЬКА	Completed	Count of work area code	<b>50</b>
		Sum of Contracted LSCs to Convert	<b>25382</b>
		Sum of Actually Issued SAs	<b>33595</b>
	In Progress	Count of work area code	<b>68</b>
		Sum of Contracted LSCs to Convert	<b>39628</b>
		Sum of Actually Issued SAs	<b>3931</b>
ЛЬВІВСЬКА Count of work area code		<b>118</b>	
ЛЬВІВСЬКА Sum of Contracted LSCs to Convert	<b>65010</b>		
ЛЬВІВСЬКА Sum of Actually Issued SAs		<b>37526</b>	
ОДЕСЬКА	Completed	Count of work area code	<b>61</b>
		Sum of Contracted LSCs to Convert	<b>39871</b>
		Sum of Actually Issued SAs	<b>43257</b>
	In Progress	Count of work area code	<b>32</b>
		Sum of Contracted LSCs to Convert	<b>21193</b>
		Sum of Actually Issued SAs	<b>2004</b>
ОДЕСЬКА Count of work area code		<b>93</b>	

ОДЕСЬКА Sum of Contracted LSCs to Convert	<b>61064</b>		
ОДЕСЬКА Sum of Actually Issued SAs		<b>45261</b>	
ПОЛТАВСЬКА	Completed	Count of work area code	<b>60</b>
		Sum of Contracted LSCs to Convert	<b>44941</b>
		Sum of Actually Issued SAs	<b>47918</b>
	In Progress	Count of work area code	<b>9</b>
		Sum of Contracted LSCs to Convert	<b>5100</b>
		Sum of Actually Issued SAs	
ПОЛТАВСЬКА Count of work area code		<b>69</b>	
ПОЛТАВСЬКА Sum of Contracted LSCs to Convert	<b>50041</b>		
ПОЛТАВСЬКА Sum of Actually Issued SAs		<b>47918</b>	
РІВНЕНСЬКА	Completed	Count of work area code	<b>74</b>
		Sum of Contracted LSCs to Convert	<b>47377</b>
		Sum of Actually Issued SAs	<b>78910</b>
	In Progress	Count of work area code	<b>34</b>
		Sum of Contracted LSCs to Convert	<b>24232</b>
		Sum of Actually Issued SAs	<b>563</b>
РІВНЕНСЬКА Count of work area code		<b>108</b>	
РІВНЕНСЬКА Sum of Contracted LSCs to Convert	<b>71609</b>		
РІВНЕНСЬКА Sum of Actually Issued SAs		<b>79473</b>	
СУМСЬКА	Completed	Count of work area code	<b>228</b>
		Sum of Contracted LSCs to Convert	<b>143266</b>
		Sum of Actually Issued SAs	<b>210446</b>
	In Progress	Count of work area code	<b>3</b>
		Sum of Contracted LSCs to Convert	<b>1617</b>
		Sum of Actually Issued SAs	<b>2148</b>
СУМСЬКА Count of work area code		<b>231</b>	
СУМСЬКА Sum of Contracted LSCs to Convert	<b>144883</b>		
СУМСЬКА Sum of Actually Issued SAs		<b>212594</b>	
ТЕРНОПІЛЬСЬКА	Completed	Count of work area code	<b>157</b>
		Sum of Contracted LSCs to Convert	<b>75057</b>

		Sum of Actually Issued SAs	<b>76132</b>
	In Progress	Count of work area code	<b>135</b>
		Sum of Contracted LSCs to Convert	<b>73496</b>
		Sum of Actually Issued SAs	<b>3480</b>
ТЕРНОПІЛЬСЬКА Count of work area code		<b>292</b>	
ТЕРНОПІЛЬСЬКА Sum of Contracted LSCs to Convert	<b>148553</b>		
ТЕРНОПІЛЬСЬКА Sum of Actually Issued SAs	<b>79612</b>		
ХАРКІВСЬКА	Completed	Count of work area code	<b>17</b>
		Sum of Contracted LSCs to Convert	<b>7224</b>
		Sum of Actually Issued SAs	<b>6747</b>
ХАРКІВСЬКА Count of work area code		<b>17</b>	
ХАРКІВСЬКА Sum of Contracted LSCs to Convert	<b>7224</b>		
ХАРКІВСЬКА Sum of Actually Issued SAs		<b>6747</b>	
ХЕРСОНСЬКА	Completed	Count of work area code	<b>126</b>
		Sum of Contracted LSCs to Convert	<b>69749</b>
		Sum of Actually Issued SAs	<b>68826</b>
	In Progress	Count of work area code	<b>7</b>
		Sum of Contracted LSCs to Convert	<b>3449</b>
		Sum of Actually Issued SAs	
ХЕРСОНСЬКА Count of work area code		<b>133</b>	
ХЕРСОНСЬКА Sum of Contracted LSCs to Convert	<b>73198</b>		
ХЕРСОНСЬКА Sum of Actually Issued SAs		<b>68826</b>	
ХМЕЛЬНИЦЬКА	Completed	Count of work area code	<b>67</b>
		Sum of Contracted LSCs to Convert	<b>25575</b>
		Sum of Actually Issued SAs	<b>26875</b>
	In Progress	Count of work area code	<b>4</b>
		Sum of Contracted LSCs to Convert	<b>3829</b>
		Sum of Actually Issued SAs	
ХМЕЛЬНИЦЬКА Count of work area code		<b>71</b>	
ХМЕЛЬНИЦЬКА Sum of Contracted LSCs to Convert	<b>29404</b>		
ХМЕЛЬНИЦЬКА Sum		<b>26875</b>	

of Actually Issued SAs			
ЧЕРКАСЬКА	Completed	Count of work area code	<b>27</b>
		Sum of Contracted LSCs to Convert	<b>21837</b>
		Sum of Actually Issued SAs	<b>21845</b>
ЧЕРКАСЬКА Count of work area code		<b>27</b>	
ЧЕРКАСЬКА Sum of Contracted LSCs to Convert	<b>21837</b>		
ЧЕРКАСЬКА Sum of Actually Issued SAs		<b>21845</b>	
ЧЕРНІВЕЦЬКА	Completed	Count of work area code	<b>59</b>
		Sum of Contracted LSCs to Convert	<b>45891</b>
		Sum of Actually Issued SAs	<b>58234</b>
	In Progress	Count of work area code	<b>56</b>
		Sum of Contracted LSCs to Convert	<b>46664</b>
		Sum of Actually Issued SAs	<b>2927</b>
ЧЕРНІВЕЦЬКА Count of work area code		<b>115</b>	
ЧЕРНІВЕЦЬКА Sum of Contracted LSCs to Convert	<b>92555</b>		
ЧЕРНІВЕЦЬКА Sum of Actually Issued SAs		<b>61161</b>	
ЧЕРНІГІВСЬКА	Completed	Count of work area code	<b>116</b>
		Sum of Contracted LSCs to Convert	<b>69421</b>
		Sum of Actually Issued SAs	<b>112535</b>
	In Progress	Count of work area code	<b>50</b>
		Sum of Contracted LSCs to Convert	<b>27812</b>
		Sum of Actually Issued SAs	<b>3177</b>
ЧЕРНІГІВСЬКА Count of work area code		<b>166</b>	
ЧЕРНІГІВСЬКА Sum of Contracted LSCs to Convert	<b>97233</b>		
ЧЕРНІГІВСЬКА Sum of Actually Issued SAs		<b>115712</b>	
<b>Total Count of work areas</b>		<b>2460</b>	
<b>Total Sum of Contracted LSCs to Convert</b>		<b>1402624</b>	
<b>Total Sum of Actually Issued SAs</b>		<b>1128650</b>	

To date, there are 1,402,624 land shares for which State Acts are completed or now under subcontract and in production. On average 1.25 State Acts are issued for each land share. There are about 35,000 more land shares under consideration in ULTI's subcontracting pipeline. Altogether, this is about 250,000 more land

shares than have been funded by USAID to date as a result of savings and procedural efficiencies engineered by ULTI. Altogether, this may result in issuance of up to 1,800,000 SAs and fulfillment of the ULTI project overall goal by the current end date of the project, if the remaining 36,000 land shares are subcontracted, there are no more delays or obstructions by state authorities and there are no cancellations of subcontracts due to lack of issuance of state acts by authorities within the time available to complete all work.

Examples of delays or obstructions are failure of state authorities to supply blank SA forms, give survey approvals or issue SAs and local disputes among land share holders, lessees or local governments that are beyond ULTI or land titling subcontractor control. Other examples are illegal charging of fees for such forms and services. Further, in the event of delays or obstructions, issuance of some subcontracted SAs may not be possible before the current scheduled end date of the ULTI project and, as a result, any incomplete land titling subcontracts would be subject to termination prior to issuance of SAs. Based on past experience, ULTI estimates that up to 10% of subcontracted titling work may be cancelled because of lack of timely completion of issuance of state acts by the authorities prior to the scheduled end of the ULTI project. Currently, SAs financed by ULTI generally proceed without further collection of registration fees by DershKomZem or its filial cadastral centers, although registration fees continue to be collected from citizens in village radas where ULTI does not work. However, an increasing number of oblasts and raions report shortages or total lack of supply of blank SA forms by DKZ, which if continued, will significantly delay preparation and issuance of SAs.

ULTI has fully implemented its new, combined land titling and legal aid service methodology due to current funding and time limits. This new methodology is now being used in Poltava, Vinnitsa, Khemilnitski, Ternopil, Ivano Frankivsk, Transkarpathia, Kiev, Volyn and is planned for use in Lugansk, Dnipropetrovsk, Crimea or Zaporizhia oblasts in response to new oblast governors' requests for ULTI support to help finish incomplete, land titling in these oblasts. The new methodology enables rapid completion of SA issuance at less than \$3.00 per land share for agricultural land share holders who previously began, but were unable to complete, land titling at their own expense under high cost DershKomZem controlled contracts. To date, ULTI has funding to include no more than 10% of an estimated 2,000,000 such land share holders. All these land share holders also still remain excluded from funding for SA issuance under the WB rural land titling project terms of reference and thus stand little chance of receiving SAs, despite excessive payments and years of waiting.

New subcontracts for more agricultural land titling have proceeded ahead of schedule for more land shareholders and at lower costs than planned. Signing of all land titling subcontracts must be complete no later than September 20, 2005 for full SA subcontracts or November 20, 2005 for unfinished SAs started at villager expense due ULTI time and funding limits.

**Subcontract signing for these incomplete SAs requires signing of ULTI's oblast multiparty agreements governing process of issuance of SAs, completion of all work prior to payment, discounting of price per land share for remaining work in line with ULTI average costs, termination of prior subcontracts, and termination of deductions from lease rents to villagers to prevent double payments and to relieve land share holders from debts and obligations to farming enterprises for incomplete land titling work. Fulfillment of issuance of SAs for previously incomplete work is also monitored by ULTI legal aid centers to assist in fulfillment of, and to verify compliance with, these conditions.**

**ULTI continues to accelerate direct delivery of public education and legal aid services to all eligible citizens throughout Ukraine in order to keep pace, coordinate and benefit from the expanding scope of ULTI agricultural land titling and pilot first registration projects.**

**To date, 135,872 citizens have been served by the 25 legal aid centers now open and operated by ULTI with USAID support. In July 15,520 more persons received this free assistance. To date, LACs have also successfully recovered over UAH 1,500,000 in unpaid land lease rents for villagers and have also produced a number of precedent setting court decisions including the first decision in any Ukrainian court for extra payment of moral damages in cases of unpaid land lease rent.**

Following are results to date for the legal aid program.

oblast	Number of cases						
	Total number of applications	Number of persons affected by problems	In the process of resolution	Resolved positively			Removed from records
				In court	Before court	Number of people	
Chernihiv	629	10451	11	11	598	14449	9
Kherson	535	7590	1	16	509	4737	8
Ternopil	645	7116	16	1	620	8044	8
Vinnysja	721	64045	31	5	684	55404	1
Rivne	668	4749	4	25	639	3988	
Zhytomyr	658	2244	19	33	593	2055	13
Chernivtsi	430	2656	22	3	403	1562	2
Lviv	867	1828	90	2	738	875	37
Sumy	582	8725	137	7	437	5665	1
Odesa	249	8590	30	3	187	8043	26
Kharkiv	837	1903	165	24	635	1220	13
Poltava	225	2656	51		173	2349	1
Khmelnysk	234	1367	71	3	150	1051	11
Transcarpathian	163	382	110		31	191	22
Volynj	220	878	32		180	487	8
Mykolaiv	74	326	8	4	62	94	66
Lugansjk	69	139	13	1	52	69	
Kyiv	204	2082	90		114	1945	
Cherkasy	15	714	6	2	7		1
Kyrovograd	91	684	65		33	60	4
Zaporizzhja	152	186	98		54	80	21
Dnipropetrovsjk	168	754	51		117	197	2
Donetsjk	129	131	11		115	116	3
Ivano-Frankivsjk	38	4619	17		21	1402	
Crimea Autonomy	67	1057	27		40	1010	
	<b>8670</b>	<b>135872</b>	<b>1176</b>	<b>140</b>	<b>7192</b>	<b>115093</b>	<b>257</b>

Clearly, the number of people requesting and receiving information and legal aid assistance continues to grow at a high rate as awareness and extension of ULTI project services grows.

In close synchronization with ULTI's expansion of legal aid services in all 25 oblasts, ULTI's public information and education team also organizes and executes an expanding program of oblast level radio and television programs, an out reach program of direct village visits and seminars conducted by information and legal aid teams, regular newspaper and periodical releases and increased frequency of national television and radio programs. These expanding efforts also assure access to accurate information for citizens and local officials to learn and to protect citizens' rights in the course of land privatization and land titling whether or not the titling work is financed and supported directly by ULTI.

ULTI also continues to make every possible effort to engage and encourage local World Bank representatives, as well as the part time consultants and subcontractors who periodically travel to Ukraine to oversee the WB cadastral loan, to work with the new GOU to re-evaluate and re-structure the WB cadastral loan Terms of Reference so that the WB rural land titling project can succeed in completing the agricultural land reform by issuance of all remaining rural land titles in Ukraine.

**Unfortunately, after 16 months, no SA preparation work has commenced and no SAs have been produced under the WB cadastral loan project administered by Dershkomzem. Further, despite oral assurances of their willingness to do so, WB representatives and consultants still have not taken any concrete action to work with the GOU to solve the defects in the WB cadastral loan's Terms of Reference that block completion of Ukraine's agricultural land reform.**

To finish all incomplete rural land titles, ULTI know-how, GOU leadership, USAID support and WB cadastral loan resources are all needed. Additionally, the methodologies developed and implemented by ULTI need to be transferred to, and adopted by the GOU and the WB cadastral project in the framework of revised terms of reference for the WB rural land titling program. Unfortunately, WB has not responded to this proposal of increased cooperation nor taken any action to increase the land titling scope of work in the WB project. Nevertheless, ULTI looks forward to the new opportunity posed by replacement of the long time obstructionist director of Dershkomzem as a basis of achieving these objectives in direct collaboration with the responsible GOU authorities with or without WB cooperation.

Based on Presidential Decree #675 and new Presidential Order #1-1 / 539 of June 17,2005 to complete all State Act issuance in the agricultural land reform by 2006, the Ministers of Environment, Justice and Economy, backed by a constantly growing number of oblast and raion administration endorsements, submitted formal requests to USAID to extend and expand ULTI technical assistance for rural land titling, public education, legislative and legal aid programs. The Academy of Agrarian Sciences and the Ministry of Economy also submitted a request to USAID to extend and expand ULTI rural land titling technical assistance so the GOU can carry out the presidential directive for 2 million rural households. Many of these households long ago received land allocations without legal documentation confirming ownership of their plots. But there are no methodologies and no state budget resources available to complete this problematic land titling work. All these requests for continued technical assistance from ULTI were delivered to the USAID Mission and are pending.

**B. Bosnia Fostering an Investment and Lender-Friendly Environment (FILE), TO#821**

*Start Date: July 29th, 2003*

*End Date: September 30, 2006*

*Amount of Delivery Order: \$ 9,943,691*

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**1. Background**

Chemonics International, Inc. (Chemonics) and its subcontractors, Emerging Markets Group, Ltd. and the National Center for State Courts, were selected to implement USAID's Fostering an Investment and Lender-Friendly Environment (FILE) commercial law project. The project, which will run approximately three years, was established to address a variety of commercial law issues, including bankruptcy and collateral law, court administration, and World Trade Organization (WTO) accession. Project activities are described more fully in the related Task Order (TO) and in FILE's previously submitted workplans.

In June 2005, USAID and Chemonics executed a Task Order Modification that, among other things, formally deleted the WTO component from the TO in its and required FILE to complete all work under the collateral law component by June 30, 2005 and adjust project staffing accordingly. FILE's work is now focused on bankruptcy and court administration, and this report reflects only activities from those two project components.

The lack of investments and long-term lending is impeding the growth of the private sector in Bosnia and Herzegovina (BiH). It also impedes the country's recovery from the war and transition from a command to a market economy. FILE's bankruptcy component is designed to make the bankruptcy and liquidation laws and procedures work by providing training and resource materials to relevant stakeholders (including judges, trustees, lawyers and appraisers), and by shepherding a number of pilot bankruptcy cases through the judicial process. Its court administration component is designed to streamline the ability of BiH courts to adjudicate commercial cases in a timely, predictable, and efficient manner by improving caseload management and providing case management software.

Each of the following sections corresponds to a TO component. Within each section, FILE describes the specific activities undertaken and accomplished during the reporting period.

**2. Component One: Collateral Law**

As indicated above, Chemonics and USAID executed a Task Order Modification in June 2005 that, among other things, required FILE to complete all work under the collateral law component by June 30, 2005. FILE completed its collateral law work in June, demobilized its expatriate technical specialist, and reassigned its local technical specialists to support ongoing project components.

### **3. Component Two: Bankruptcy Law**

The highlight of the quarter was the successful approval of Unis Tadv's reorganization plan in July 2005, resulting from FILE's continuing commitment of effort, time, experience, and knowledge to its bankruptcy pilot case program. Unis Tadv's reorganization provides both a successful pilot case - demonstrating that reorganization is a powerful tool to place insolvent state-owned enterprises into private hands, saving jobs and re-invigorating productive capacity - and a wealth of model solutions that can be utilized in other bankruptcy cases.

**At the same time, the bankruptcy team provided ongoing consulting services in other major and minor bankruptcy cases in BiH and continued to develop and deliver training programs and resource materials to bankruptcy practitioners. A summary of FILE's training, resource material development, and pilot case activities follows.**

**a. Training.** During the quarter, the bankruptcy team conducted numerous training conferences and roundtables, including sessions relating to labor, insurance, real property title, and reorganization matters.

1. Roundtable for Insurance Companies, Trustees and Judges. A roundtable for insurance companies, trustees and judges was held on July 8, 2005 relating to mandatory insurance

for trustees and assessment of trustee's professional risk. Twelve participants and FILE staff met to discuss and resolve questions such as how to insure a bankruptcy trustee, why insurance companies do not provide such insurance services for trustees, the experience of insurance companies with such professional insurance, the circumstances under which a judge can relieve the trustee of this insurance obligation, and related matters.

The insurance companies, in turn, sought to learn more about "imperative" norms, the basis of risk, the critical phases in a bankruptcy proceeding, and similar issues. The session made clear that: (i) only one insurance company was currently offering insurance for trustees; (ii) insurance companies cannot adequately evaluate a trustee's competence because of the lack of an official (permanent) list of certified trustees; and trustees and appraisers face serious legal issues and potential liability when dealing with property.

#### **FILE's Capacity Building Activities**

- 55 training and education sessions for BiH bankruptcy professionals
- 6 training modules for judges; 4 training modules for trustees; 3 training modules for appraisers; 3 training sessions for Trade Union officials; numerous topical roundtables with key implementers
- Subject matters covered: filing the petition; preliminary proceeding; roles and responsibilities of all parties in the proceeding; opening of the proceeding; examination and reporting hearings; reorganization plan
- Over 250 participants attended FILE training sessions
- Training materials transferred to BiH's Judicial and Prosecutorial Training Centers in June 2005
- Numerous interventions in pending cases pioneer creative solutions and create successes for replication

2. Final Testing Exercise for Appraisers. Participants in FILE's prior training sessions for appraisers who were not able to participate in the final "testing" exercise asked for another opportunity to test their acquired knowledge. FILE provided the opportunity by staging testing exercises in Sarajevo on July 9, 2005 and Banja Luka on July 16, 2005. Upon conclusion of this second round of testing, certificates were awarded to the fifty appraisers who successfully completed the training program and related testing.

3. Title Issues in Bankruptcy. The trustees of bankrupt companies that were once part of Cajavec Holding-Banja Luka previously asked FILE to organize a roundtable on title issues in bankruptcy. This roundtable was held on July 13, 2005. Twenty-one persons participated in the roundtable, including representatives from the RS Ministry of Economy and Directorate for Privatization, general managers of various Cajavec companies, trustees, and persons from the Economic Institute, Land Registry Office, and Fund for Development and Employment.

Currently, there are six Cajavec "daughter" companies in bankruptcy. Unresolved title issues prevent the trustees in these cases from offering any real property for sale or otherwise pledging or disposing of such property, which effectively paralyzes the bankruptcy proceedings. Since the main purpose of the roundtable was to take steps toward an agreement on how to allocate real estate among the various companies, particularly those in bankruptcy, the principal topic for discussion was the nature and extent of the various title issues among the daughter companies.

During the roundtable, the participants made several comments, suggestions, and recommendations that could be useful in finding a workable solution for these title issues. FILE was asked to obtain and distribute relevant documents to the trustees of the daughter companies in bankruptcy and to the general managers of other Cajavec companies for their review and comment. Assuming appropriate input is received, FILE will organize a second meeting where the next steps in reaching a comprehensive agreement would be defined.

4. Labor Union Training. On July 20, 2005, FILE, together with the Solidarity Center, organized a bankruptcy seminar in Tuzla for trade union representatives of companies in the chemical industry. FILE presented various aspects of the bankruptcy system, highlighting the role and responsibilities of trade unions in bankruptcy and addressing major concerns of union representatives.

5. Training for Judges. With more reorganization cases working their way through the bankruptcy system, BiH's bankruptcy judges requested in-depth training on reorganization matters. In response, FILE and BiH's Judicial and Prosecutorial Training Centers (JTCs) provided the requested training on September 29-30, 2005. Twenty-eight judges from throughout BiH attended the two-day training event, which covered issues such as the position of secured creditors in bankruptcy; the legal framework for reorganization; different models for reorganizing a bankruptcy debtor; the practical aspects of, and legal procedures for, drafting a reorganization plan; reasons for dismissing a submitted plan; the legal framework for adopting a plan; methods for cramming down minority, dissenting creditors; and rationales for dismissing or confirming a plan.

Judge Gregory Kishel, Chief Judge of the United States Bankruptcy Court, District of Minnesota, developed and led the participants in the discussion of a case study that incorporated issues such as the formation of creditor classes, the criteria for including or excluding creditors from a certain class, equal treatment of all creditors in a class, when a change in a reorganization plan constitutes an amendment and when it constitutes a new plan, and how the test that creditors be at least as well off in a reorganization as they are in liquidation is applied in practice. Judge Kishel's technical assistance was provided on a pro bono basis as part of FILE's continuing efforts to partner experts from the U.S. Federal Judiciary with their colleagues in BiH.

6. Training on Labor Issues. On September 13, 2005, the bankruptcy team held a roundtable in Sarajevo on labor issues arising in bankruptcy. The five participants, including judges, trustees and union leaders, discussed the role of trade unions in promoting awareness and understanding of bankruptcy among their members. Participants worked to identify workers' concerns and misconceptions about bankruptcy and referenced Unis Tadv's bankruptcy proceedings as an example of how such concerns can be adequately addressed (see below).

**b. Resource Materials.** Over the past two years, FILE has designed and delivered various training programs to develop the competency and efficiency of bankruptcy professionals, such as judges, trustees, and appraisers. FILE's efforts continue to be well-received.

FILE has also worked to identify a local institution with the potential and capacity to continue such trainings over the long term. In this regard, FILE has conducted all of its judicial bankruptcy training programs in conjunction with the JTCs in order to centralize and institutionalize the trainings and pave the way for their eventual transfer to the JTCs.

As part of this continuing transition, FILE provided the JTCs (and the High Judicial and Prosecutorial Council) with copies of all FILE training and resource materials in May 2005. In September 2005, FILE provided the JTCs and USAID with related "train-the-trainers" materials. These collective materials can be used by the JTCs and bankruptcy judges to provide high level training for future bankruptcy judges, trustees, and appraisers.

Several participants in FILE's training program have displayed the knowledge, experience, and initiative to be future trainers. The JTCs have requested, and FILE will provide, additional substantive training programs for judges and train-the-trainers programs for a select group of bankruptcy judges. Similar sessions are contemplated for trustees and appraisers who are willing to provide future training programs for their colleagues.

The JTCs intend to disseminate FILE's resource and training materials to a broad audience through their website, which is currently under construction with UNDP

***In Our Partner's Words***

*The materials developed by FILE would be used not only as a solid base for future education, but FILE should be part of bankruptcy history in Bosnia because of its leading role in education on the new bankruptcy law and its activities in assisting bankruptcy judges. - Hakija Zaimovic, Bankruptcy Judge, Sarajevo Municipal Court*

funding. Both UNDP and JTC representatives confirmed that FILE materials will be available on the website. FILE and the JTCs will determine which materials are on “public pages” available to all users and which materials, relevant to judges only, will have password-restricted access.

### **c. Pilot Bankruptcy Cases and Interventions.**

1. Unis Tadv. Last-minute proposals, intense negotiations and discussions marked a pressure-filled month, but patience paid off, especially for 160 factory workers. With FILE’s assistance, workers at Unis Tadv filed a bankruptcy petition, were paid regularly during the bankruptcy and reorganization process, and now own 67 percent of the formerly state-owned company.

July was marked by extensive, intense negotiations – typically led or moderated by FILE - between Mettix, the key supplier and a creditor secured by equipment indispensable to continued operation, Graewe, the principal customer that controls the market for the debtor’s production, and the workers, themselves divided into several factions. Although negotiations broke off several times over the central question of who would control the company, the parties finally agreed on a consensual plan of reorganization. This agreement was achieved by removing the insoluble question of ultimate ownership outside bankruptcy, granting the workers a controlling packet of shares (67%), and allowing Graewe and Mettix to contend for control by purchasing the shares from the workers after confirmation of the plan. In addition, Mettix would be paid in full as a secured creditor through shares (33%) and payments over five years. Finally, the bankruptcy judge was persuaded that these changes represented an appropriate amendment to the pending proposed plan rather than a new plan, allowing this plan to be scheduled for a vote and confirmed.

#### ***In our Partner's Words***

*When we did not have bread on the table to eat or oil to cook with, only USAID came and helped us. All others did not believe that bankruptcy would resolve something. Thanks to USAID our company is working again, and we've been paid our salaries for the last seven months after three years with no pay. - Islam Cosic, Unis Tadv union chairman*

Unis Tadv’s inherent complexity, difficulty of consensus, and multiple scenarios, made this case exemplary for future bankruptcy reorganizations. Based on the experience and lessons learned from Tadv, FILE has derived, assessed, and formulated approximately forty model solutions, sixteen of which have already arisen in eleven other bankruptcy cases FILE is monitoring or involved in. This valuable experience helps bankruptcy trustees and judges to recognize situations and issues and to apply ready-made and replicable model solutions (tested responses), thereby saving considerable time and significantly improving the efficiency of bankruptcy proceedings in BiH.

Tadv is not just a bankruptcy breakthrough, however, because of its significance for overall economic reform in BiH. Current efforts at economic reform have stalled in privatization. The absence of investors for over-indebted state-owned enterprises has made deals difficult. Tadv suggests that bankruptcy reorganization is a real alternative to privatization, and the experience from this pilot case may offer solutions for many state-owned enterprises.

Success did not come easily. Since the judge opened proceedings in November 2004, FILE has worked diligently to develop Unis Tadv's reorganization plan and to convince the company's stakeholders of the plan's merits. Finalizing the bankruptcy and reorganization required not only expertise in bankruptcy law, but savvy negotiating skills during what amounted to a "tug of war" between the company's main supplier and main customer.

Ultimately, two key factors explain the successful outcome of the reorganization plan, which was overwhelmingly approved by all five classes of voting creditors. First, the judge clearly limited the playing field to Unis Tadv's creditors. Second, FILE's bankruptcy team helped workers, the key creditor constituency, to develop a strategy for dealing with conflicting demands.

The reorganization of Unis Tadv, which manufactures nuts and bolts for export to European auto makers, demonstrates how bankruptcy can help solve the economic problems confronting BiH (e.g., unemployment, external current accounts deficit, mounting liabilities for social costs, etc.). For the first time in three years, workers started receiving and spending their paychecks, and 160 jobs are guaranteed for five years, directly impacting unemployment issues in Konjic. The company's production – entirely for export, which helps the current accounts deficit – was increased 30%. Finally, bankruptcy completely and affordably resolved the workers' claims for back wages and social benefits, which were exchanged for 67% ownership of the company. If confirmed on appeal, the Unis Tadv case will represent the most successful demonstration to date of bankruptcy reorganization's power to salvage productive assets, improve efficiency, save jobs, and help to revitalize local communities, all in the course of privatizing a state-owned enterprise.

#### **Bankruptcy Restores Life to Unis Tadv**

Reorganization of the formerly state-owned enterprise is producing a number of important benefits for the company and its community:

- 160 employees received their first paychecks in three years the month bankruptcy opened
- Monthly payroll of 115,000 KM, including all social contributions, has been met on time without interruption for the last 11 months
- Production was restarted and increased by 30% above pre-bankruptcy levels
- Monthly revenues of 200,000 EUR are exclusively from exports to the EU
- Unis Tadv fully privatized, with workers owning 67% and major secured creditor owning 33%
- Upon confirmation, a strategic investor will guarantee employment of 160 workers for five years
- General unsecured creditors unanimously accepted repayment of 10.5% of claims
- Assets valued at 3.5 million KM restored to productive use
- Community and local business benefit from domestic spending of worker paychecks in region with high unemployment

On July 26, 2005, three appeals were lodged against the decision on confirmation of the plan. As of September 30, 2005, the appellate panel had been constituted but no action had been taken on the appeals. A decision is expected during the first week of October. FILE has offered to educate panel members on the substantive issues under appeal since no Federation appellate court has previously considered a reorganization case.

2. Livnica. New rules for bankruptcy auctions were developed and successfully tested October 1, 2005, at the first auction of real estate in the Livnica bankruptcy case. Two out of three lots offered at the auction were sold for higher than the appraised value.

Livnica, an iron casting facility from Sarajevo, is FILE's pilot liquidation case, in which creditors made a decision in favor of straightforward liquidation. Common practice in liquidation is to use the public auction procedures mandated by the BiH Law on Enforcement Procedure. This three-auction procedure encourages collusive bidding, discourages attendance by serious bidders, and often results in sales of valuable assets for far less than they are worth. Livnica's trustee and creditors agreed to use the flexibility offered by the bankruptcy law to design new procedures that prevented collusive bidding to sell Livnica's assets, which have been appraised at 10 million KM.

***In our Partners' Words***

*Such a successful auction is a result of a series of circumstances, but the most credit goes to the USAID FILE project that designed the rules and lead the entire process. - Refik Biber, Livnica Trustee*

*Although very experienced in public competitions and tenders, we have never before attended a public auction that was better organized and more transparent. - Penny Plus, Construction Company, one of the auction bidders*

The new rules, designed with technical assistance from FILE, resulted in two of the three lots selling for 66% above the appraised value:

- Lot 1, appraised at 577,000 KM, sold for 920,000 KM; and
- Lot 2, appraised at 285,000 KM sold for 400,000 KM.

The third lot, appraised at 604,000 KM, had no interested buyers at the appraised price. It appeared that buyers were most interested in bare land for construction, rather in the buildings. Lot 1, which sold for the highest amount, had no buildings, Lot 2 had small buildings, and Lot 3 was significantly built up.

The proceeds from sale of the first two lots will cover 23% of approved claims of creditors. The three lots offered at the first auction, although the most attractive pieces of property represent less than 10% of Livnica's assets. Remaining assets will be sold in the same way, with a second auction scheduled for mid-October 2005.

The auction procedures under the enforcement law have a number of disadvantages. The maximum deposit that bidders can be required to pay is 10,000 KM, and is fully refundable even if a successful bidder fails to go through with the purchase. Bidding rules also permit collusive bidding. The innovations developed by FILE to address these deficiencies included:

- A 10% deposit was required to bid, and it was nonrefundable if the bidder failed to go through with the purchase.
- The trustee started the auction at the appraised value and then raised the price in small increments for as long as more than one party agreed to the requested price.

Another innovation was to work with the municipality to determine the status of the property. In most cases, buyers are left to their own devices and bear the entire risk. With assistance from FILE, the trustee approached the municipality and received a copy of the municipal plan that showed permitted uses as well as a letter from the municipality clearly stating that the land was owned by Livnica. This information was provided to bidders in advance of the auction.

3. Svila. By letter dated June 13, 2005, the RS Minister of Economy, Energy and Development proposed five companies in bankruptcy - Borija, Svila, Cajavec, Jadar, and Maglic - on which FILE and the Ministry could work collaboratively. Of the five companies, USAID and FILE agreed that Svila most closely met the requirements of FILE's pilot case program and could serve as a model for other similarly situated, financially distressed companies.

Svila's management filed a petition in bankruptcy with the Banja Luka Basic Court on June 9, 2005 and, because the company is a strategic enterprise with 71% state-owned capital, the presiding judge duly sent a letter to the RS government asking for its response to the filing. By statute, this response was due thirty days after receipt of the judge's letter on June 21, 2005.

Svila's bankruptcy filing was considered at a government session on July 22-23, 2005, at which the majority of ministers voted against the bankruptcy filing, urging a delay of 90 days to consider other options. On August 2, 2005, an official letter objecting to the filing was registered at the court.

In the meantime, Svila is in bankruptcy limbo. While the judge has not dismissed the case, he has allowed an enforcement proceeding to go forward against property essential to Svila's reorganization, despite the prohibition against enforcement actions under the bankruptcy law. Nova Banjalucka Bank holds a mortgage on Svila's real estate. An unsuccessful second auction under the enforcement law was held during the bankruptcy. A third auction was scheduled to take place on August 25, 2005, but Nova Banjalucka Bank asked the court to postpone this third auction for an additional two months until October 25, 2005. There are indications that this request was made at the RS government's request.

The government's intervention, which appears coordinated with the bank and bankruptcy judge, threatens the continued viability of Svila. Reorganization will be impossible if Nova Banjalucka Bank sells the main production facilities at the third auction sale. By objecting to the bankruptcy proceeding after having first strongly recommended it, the government has created a stalemate as Svila's position and prospects for survival continue to deteriorate.

4. Alatnica. Previously, Alatnica's trustee drafted a reorganization plan "in the alternative," taking into account two different offers for Alatnica's property, and asked FILE to review and comment on the plan. After the bankruptcy team pointed out that the law, while not explicitly prohibiting plans in the alternative, seemed to contemplate a single plan, the trustee reconsidered and, with FILE's assistance, redrafted the plan. The revised plan, which was completed in September 2005, will allow the employees, as new owners of the company, to sell part or all of the assets (or their shares) to interested parties after the plan is confirmed.

The trustee presented the revised reorganization plan to the bankruptcy judge and Alatnica's creditors committee on September 29, 2005. The plan provides that:

- 111,765 KM in priority claims of employees will be paid with proceeds from the sale of part of the company's production facility;
- 490,010 KM in general claims of employees will be paid in shares; and
- 689,950 KM of general claims of remaining creditors will be fully paid with proceeds from the sale of excess equipment and part of the company's production facility.

Several outstanding issues complicate consideration of the reorganization plan. For example, the bankruptcy judge believes that a significant portion of company assets can be sold at prices closer to market, rather than liquidation, value. If this is true, all creditors – including employees - could be paid in full. In such case, the judge believes it would be inappropriate to transfer all equity in the company resulting from reorganization to the employees; instead, prior owners should retain some percentage of the equity. The trustee also expressed concern over the ability to register the new company in the manner proposed by the plan, without prior owners having a participating equity interest. This concern results from the trustee's consultations with the business registration department at the court. The bankruptcy team will continue to assist the trustee in finding solutions to such issues.

5. Energoinvest. The experience of Energoinvest demonstrates the importance of accurate appraisals in helping creditors decide correctly whether liquidation or reorganization best serves their interests. Energoinvest's creditors first voted to liquidate the debtor, based on a flawed appraisal of 8.6 million KM that led them to expect that their 4.4 million KM in approved claims could be repaid in full by selling the assets. Creditors reversed course, choosing reorganization, when an accurate appraisal by FILE-trained appraisers showed the liquidation value of the assets was actually only 1.2 million KM.

**In Our Partner's Words**

Without USAID FILE's instructions and assistance Energoinvest would be liquidated but now we have a good chance of coming back to life. - Lazo Djurdjevic, Trustee.

After his appointment, Energoinvest's trustee, with advice and technical assistance from FILE, restarted production, bringing 86 employees back to work. New markets were identified, and new contracts for 1.93 million KM were signed, producing a 160,000 KM net profit in the first five months of 2005. Employee wages and social contributions have been paid regularly, in full, and prospects are good for increasing production and hiring more workers.

The foundations for a successful reorganization were coming together when the results of the first, flawed appraisal of the company's assets was delivered, and creditors voted to liquidate. The problem with the appraisal was that it was based on an inappropriate methodology for the circumstances. The appraiser used *replacement cost* - the cost to replace the assets using the same materials at current prices. What creditors needed to know, however, was the *liquidation value* – what they could expect to receive from forced sale of the assets.

FILE worked with the trustee to educate the Board of Creditors about the problems with the first appraisal, and to contract with two FILE-trained appraisers to provide new

appraisals based on liquidation value. When the appraisals came back showing a liquidation value of only 1.2 million KM, creditors reversed course and authorized the trustee to develop a reorganization plan.

The plan, developed with assistance from FILE, was filed on September 22, 2005, with the bankruptcy judge for review prior to submitting it to creditors for their approval. Total repayments under the plan of reorganization – about 2.6 million KM – is more than twice what creditors would receive in liquidation, based on the liquidation value appraisal of 1.2 million KM.

6. LPS (“Chain of Shops”) D.D., Sarajevo. The bankruptcy team assisted the trustee in the liquidation phase of LPS after being contacted for assistance in developing the most appropriate auction rules for selling the company’s real estate. FILE’s proposed auction rules were presented and thoroughly discussed with the bankruptcy judge, who approved their application.

On July 19<sup>th</sup>, 2005, the bankruptcy team was invited to attend the first liquidation auction as an official observer. Most recent trends in selling real estate under the enforcement law indicate that less than 1% of the properties are sold at the first auction, about 25% on second auction, and the rest (about 74%) on the third and last auction, where the selling price could be 1 KM. The inherent defect of the auction procedure under the enforcement law naturally leads to these results. Another major deficiency of the procedure is the quality of appraisals.

After analyzing these two major roadblocks for effective selling, the bankruptcy team helped the trustee design auction rules that would provide for better results. At the first auction, three out of six available properties were sold, including one property that sold for its appraised value and two that sold at prices higher than appraised. The total amount received for the auctioned properties was above 1,000,000 KM.

The trustee expressed his gratitude to FILE in helping him achieve this significant success - 50% of the auctioned properties were sold at the first auction, compared to the average of less than 1% sold at first auction under the standard enforcement procedure.

**d. Other.**

1. Bi-Monthly Progress Report. On September 15, 2005, FILE delivered to USAID its Bi-Monthly Progress Report, summarizing the progress and current status of its pilot bankruptcy cases and interventions for the July-August 2005 reporting period. The report provides a concise description of the current status of each case, followed by a summary of the background and a chronological description of FILE’s activities in each case.

2. Embassy Report. At an August 2005 Embassy Rule of Law meeting, the DCM suggested that FILE prepare a memorandum for the Ambassador regarding the status of bankruptcy implementation in BiH. To meet this request, FILE fielded a short-term bankruptcy expert who prepared a summary report detailing bankruptcy’s power to unleash frozen productive capacity, providing an overview of FILE’s bankruptcy component and

technical achievements to date, identifying remaining obstacles to an effective bankruptcy regime, and providing recommendations for increasing bankruptcy impacts. The report will supplement an executive summary describing, among other things, how USAID and the Embassy can jointly address certain cultural and political constraints to establishing a healthy bankruptcy regime.

3. RS Efforts to Amend Bankruptcy Law. The RS government formed a working group to develop amendments to the RS bankruptcy law and scheduled a roundtable discussion on October 4, 2005. FILE was invited to participate in the session by both the RS JTC and Trustee Association, who are co-hosting the event.

**FILE contacted both groups, as well as the RS Ministry of Justice, to learn more about the purpose of the roundtable and the types of amendments under consideration. According to these sources, the purpose of the meeting is to find out more about judges' and trustees' experiences in implementing the bankruptcy law, and roadblocks to implementation.**

**FILE and USAID agreed to participate in the roundtable, to encourage appropriate amendments, and to otherwise monitor developments.**

#### 4. *Component Three: Court Administration*

**a. Development of Case Management Software.** During the reporting period, the court administration team focused its resources on coding and testing its case management software (CMS). These efforts resulted in the development and distribution of prototype software in July 2005 and "production" versions of certain CMS modules in September 2005.

The CMS is a modular, event-driven application designed to meet the needs of BiH's courts. In July, FILE passed its second major development milestone with the successful release of prototype software. The prototype was unveiled to staff of the High Judicial and Prosecutorial Council (HJPC) and USAID's Justice Sector Development Project (JSDP). Both groups were also provided with a CD containing all files necessary to access the prototype over the internet, as well as several "how to" videos produced by FILE staff demonstrating various features of the software.

##### **USAID's CMS Software**

The USAID Case Management Software being developed by FILE provides an easily adaptable workflow process management software that can be used by other contractors on other projects anywhere in the world. Designed to be portable, the CMS provides:

- Well-documented source code so others can understand and adapt the software for new uses;
- Highly modular design that minimizes the need for additional coding to add new functionality;
- Support for multiple languages and alphabets;
- Flexibility to structure the software to serve the needs of government end-users.

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The prototype was also demonstrated at the CMS Users Group meeting held on July 21, 2005 in Mostar. The general capabilities of the system, including search capabilities, field editing and windows navigation, were also demonstrated in the live session. The prototype was very well-received by the User Group, with many of the represented courts

subsequently vying to be automated as soon as possible.

During the week of July 25-29<sup>th</sup>, 2005, the prototype was activated in each court represented by the CMS Users Group. A CD containing the necessary files to support the system, written instructions for logging in over the internet, and “how to videos” on how to perform various tasks using the system, was also distributed to each court. The videos have been recorded in local language to allow User Group representatives to demonstrate the functionality of the system to their staff without having to be connected via the internet. Additional live demonstrations were also provided to the staffs of the Mostar and Konjic Municipal Courts to build enthusiasm for the system and to generate comments and input from the basic user level.

#### **In Our Partners' Words**

*CMS is revolution in BiH judiciary.* -  
Branko Peric, President of HJPC

*There are no doubts on importance of FILE project. The project's CMS takes BiH's courts and judiciary directly to computer era.* - Judge Mladen Jurisic,  
President of Mostar Cantonal Court and  
Vice President of HJPC

*We want to make this court a modern, fully-functional institution that dispenses justice to citizens in a timely and efficient manner and FILE's CMS is a quick way to get there.* - Judge Ognjenka Skoro,  
President of Mostar Municipal Court

Development efforts in August and September focused on compiling data to be entered into data tables of the CMS application. A multi-organizational group comprised of representatives from FILE, JSDP, HJPC and the judiciary worked to compile the critical, measurable, case processing events (e.g., opening of a case, required hearings, etc.) for each case type. CMS' ability to measure these events will also support other ongoing court reform initiatives, such as JSDP's case weighting and judicial “quota” efforts.

Similarly, the group worked to determine which tasks – discrete assignments that various individuals must complete for a case to move from one event to the next – should be assigned and monitored. These efforts are critical to data compilation and CMS design, as they provide foundation for CMS functionality.

CMS functionality will also include the ability to generate various court forms commonly used during case processing, thereby increasing efficiency by reducing the manual work required of judges and court staff. Working closely with a staff attorney from the HJPC and court representatives, FILE completed templates for the fifty most commonly used court forms.

Modules 1 (case opening functions), 2 (scheduling and tracking of events, documents and tasks, and work assignment functions), and 9 (case closing functions) comprise the core engine of the CMS system, and provide the vast majority of functionality requested by the courts. Production versions of these modules were delivered in September 2005 by FILE's software development partner, PING, and are currently undergoing user testing within the FILE office.

FILE also worked to ensure that networks were in place in the courts to support CMS. HJPC has executed a Memorandum of Understanding pursuant to which the CIPS network is expected to provide the required CMS connectivity. Currently, FILE and ICITAP personnel are unsure that CIPS can provide a reliable backbone for court

automation. As an initial test of connectivity, a CIPS connection was established between FILE and Mostar Municipal Court. A select group of computer terminals in the court are now able to access the CMS system via this connection.

Efforts to provide a similar connection for Konjic Municipal Court, however, met with significant technical difficulties. FILE, ICITAP, HJPC and CIPS personnel continue to work to resolve these issues.

**b. Data Collection.** The court administration team completed development of its backlog tracking software and supporting documentation, which it previously piloted in Mostar Municipal Court. The team visited Banja Luka, Derventa, and Konjic first instance courts to install the software and provide operational training. The software was also installed at JSDP, and their staff was trained on its operation. With the installation of these sites and the turnover of code to JSDP, FILE considers development of this system to be complete. FILE staff will continue to provide troubleshooting support to JSDP as it utilizes the system to meet the objectives outlined in its court administration intervention plan.

The court administration team also continued to work with select courts in their efforts to capture backlog data. At the same time, testing is underway on transferring the data captured into the CMS application. Preliminary tests of the conversion programs are very encouraging. At this time, over 4,000 cases from Mostar Municipal Court have been converted into CMS format. As a result of this success, Mostar Municipal Court has decided to increase its efforts to capture case data. Beginning in mid-September, all new cases entering the court are being captured, providing a base of cases that can be converted when CMS is installed in November. Konjic has also started capturing case information, so that all cases are captured and converted into the CMS application when it goes live.

**c. Study Visit to US Courts.** A highlight of August was a participant training program funded by USAID and organized by World Learning. Effective roll-out of CMS to pilot and additional courts requires knowledge and management of, and communication about, the introduction of technology to the courts and resulting changes in court practice. For example, those tasked with introducing CMS to the courts, including members of the CMS User Group, need to understand: how to implement court automation systems and the impact that it has on their organizational structure and operations; how CMS systems function; how case processing is changed and improved by automation; and related issues. The program was organized so that participants could see how other courts have prepared for and implemented CMS in their courts, and could learn from the experiences – both positive and negative – of other court personnel who have been through the automation process.

Eleven participants associated with the CMS Users Group departed for Williamsburg, Virginia, where they participated in three days of classroom sessions conducted by National Center for State Courts staff. From there, they visited multiple courts in Minnesota and New York to gain first hand exposure to the process of automation and to exchange ideas on CMS implementation. Participants took this opportunity to discuss the issues of automation, including changes in process, requirements for training, and managing change (and the people affected thereby). By all accounts the group found the experience not only informative, but motivational. They returned to BiH with new-found

enthusiasm for CMS implementation and the complete automation of the courts.

**d. Comprehensive Court Report.** Judicial quality directly affects the costs and risks of doing business in a country, and thus the levels and rates of economic growth. Streamlining the ability of the courts to adjudicate commercial claims is critical to establishing an environment that promotes and protects creditors' and investors' rights, and that provides business interests with assurance that their disputes will be adjudicated in a timely, efficient and predictable manner.

BiH courts are currently burdened by substantial case backlogs, with hundreds of thousands of cases awaiting attention in Sarajevo alone. Adding additional resources to the courts, however, is not a long-term or even short-term solution to the backlog problem. Instead, recent legislative reforms must be turned into behavioral reforms combined with re-engineering and streamlining of processes.

FILE has been working with a wide range of BiH counterparts to address these challenges. In this regard, FILE submitted its Comprehensive Court Report to USAID on September 30, 2005. The report captures lessons learned to date and proposes practical solutions to the problems facing the courts. First and foremost, changes are needed to reduce the number of claims – especially small claims and utility bills – that are overwhelming the system. In addition, the recommendations provided in the report emphasize effective means of reducing the burden of the remaining, legitimate claims through improved processes and procedures, both with and without new technology.

Many of the recommendations are budget neutral but with high impact. For example, the single most important reform requires no additional funding or equipment, but rather a change in judicial practice to implement existing law: simply by enforcing claims without delay, judges could have a dramatic and immediate impact in reducing the number of appeals and groundless objections and increasing payment of outstanding debts prior to being sued. This requires a change in policy and procedures to conform to existing law at no cost.

Other solutions require ongoing support and funding. For example, the successful implementation of FILE's CMS in pilot courts will lead logically to the roll out of this technology to other courts. This will take time, training, and equipment, but it certainly can be achieved in the near term, with immediate improvements in judicial efficiency and capacity.

Importantly, the report includes recommendations and potential pilot interventions that provide a roadmap of practical, implementable solutions that will have a measurable impact in the near term.

**e. Creation of Enforcement "Auction Center".** Seizure, transportation and storage of seized assets are problematic. The enforcement divisions of BiH's courts typically do not have enough room to warehouse seized property. As a result, they identify property to be sold, but leave it at the premises of the debtor. It is very difficult to sell assets on the premises of the debtor, so the lack of storage space lowers the recovery, while also raising costs and complications by having auctions at numerous locations.

Working with the Bankers Association and Sarajevo Municipal Court, FILE is helping to establish a private sector "auction center." The Bankers Association will assist the courts in setting up a privately funded center that can store seized goods, provide information about the goods (through internet and media publications), and hold regularly scheduled judicial auctions. By creating a single point of activity for sale of seized property in Sarajevo, the auction center will help the courts to establish a regular, predictable system of judicial auctions. At the same time, it will help to develop the market for repossessed goods by taking the sale out of homes and offices, where social pressures depress demand for the goods. Finally, it is expected that the auction center will enable the banking community and debtors to obtain higher value from the sale of seized goods.

The Bankers Association and Sarajevo Municipal Court have agreed in principle to the terms of a Memorandum of Understanding describing their respective roles in establishing and maintaining the auction center. FILE will provide technical assistance in establishing the center. A signing ceremony is being scheduled for November 8, 2005.

## **5. Task Order Modification**

In June, USAID and Chemonics executed a Task Order Modification that, among other things, formally deleted the WTO component from Task Order in its entirety and required FILE to (1) complete all work under the collateral law component by June 30, 2005 and adjust project staffing accordingly and (2) close its Banja Luka office on or about May 31, 2005. FILE has complied with both of these requirements. As suggested in the Task Order Modification, FILE has embedded its Banja Luka staff within the offices of the RS JTC to facilitate the sustainability of reforms in the RS.

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### **C. Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy (SEPIC), TO#822**

*Start Date: August 4, 2003*

*End Date: August 13, 2006*

*Amount of Delivery Order: \$4,455,796*

#### **A. PERSONNEL SUMMARY**

##### **A1. Local Professionals**

- *Chief of Party and Task Leader for ANAR: Liviu Ionescu (LI)*
- *Assistant to the Chief of Party: Virgil Ionut Dobre (ID)<sup>1</sup>*
- *Task Leader for EMS/P2: Andreea Milea (AM)*

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<sup>1</sup> Until August 20, 2005, when he left the project

- *Assistant to the Task Leader for EMS/P2: Ioana Stanescu (IS)- Currently on maternity leave*
- *Task Leader for WATMAN: Mary-Jeanne Adler (MJA)*
- *Technical Expert: Rodica Stefanescu (RS)*
- *Office Manager: Grazia-Felicia Vascencu (GFV)*
- *IT Expert: Codrin Nicolau (CN)*

## **A2. Expatriate/TCN Specialists**

- *EMS Senior Technical Advisor: Avrom Bendavid-Val*
- *WATMAN Senior Technical Advisor: Glen Anderson*
- *ANAR Senior Technical Advisor: Chris Perine*
- *Environmental Specialist/Engineer: Phil Brown*
- *Environmental Specialist/Engineer: Daene McKinney*

## **A3. Home Office Project Management**

- *Project Manager: Avrom Bendavid-Val*
- *Deputy Project Manager: Chris Perine*
- *Project Administrator: Kristen Totino/Paul Turner*
- *Assistant Project Administrator: Ryan Flory*

## B. SUMMARY OF PROGRESS, PROBLEMS AND NEXT STEPS

Activities (alphabetical order)	Progress	Problems	Next Steps
Black Sea Coastal Erosion Socio-Economic Opportunities Study	MoU signed with ANAR/DADL Questionnaires developed	None	Hire subcontractor for data collection Initiate data collection in Constanta
Cris River Basin Project Appraisal Documentation (CPAD)	Assessed data collected by EPTISA Initiated data collection and EPTISA data validation	None	Develop inception report Hire subcontractors Work on final study
Externalization of Non-Core ANAR Assets Study	Data processing complete Began drafting of final report	None	Finalize report Hold working meeting to discuss report
EMS & P2 Implementation and Demonstration	Training for developing EMS documents complete EMS documents developed	None	Finalize EMS documents Complete procurement of monitoring equipment Wrap-up workshop
EMS & P2 Training	Developed list of case studies to be included in training materials	None	Develop training materials Develop training schedule with interested parties
EMS & P2 Dissemination Through Electronic Media	Final review of EMS website	None	Deliver EMS website to ARA for posting on their site
Mayor's Manual	Final drafts delivered to MEWM (Mayor's Manual and Prefect's Manual)	None	TBD with MEWM, once MEWM has comments from stakeholders
WATMAN	Final versions of feasibility study delivered to MEWM First phase investment approved by GoR Justification note posted on MEWM website for public consultation Equipment delivery to pilot site complete Decision Support System software installed and operating and training delivered	None	Secure GoR approval for the sovereign guarantee Hold close-out workshop Develop and deliver final report

### C. IMPACTS ACHIEVED AS A RESULT OF THE PROJECT

- GoR approved proceeding with the WATMAN investment. Documents required to secure sovereign guarantee developed and being circulated with involved ministries
- Total savings achieved in EMS & P2 pilot organizations: \$1,017,000/year
- Pollution reduced in pilot organizations: waste water flows reduced by 180,000 m<sup>3</sup>/year
- Completed USAID flood relief contribution (procurement and delivery of flood intervention equipment) to Timis judet
- SEPIC was invited to make a presentation on the contribution of EMS & P2 in increasing competitiveness of organizations in a conference organized by FINMEDIA, dealing with problems and solutions related to implementing EU Directives
- Mayor's Manual adopted by MEWM, posted on ministry's site for public consultation and circulated for comments with involved institutions
- Details on water and waste water infrastructure investment in Bihor judet were agreed with judet authorities
- Some of the pricing policy suggestions to ANAR included in the report titled "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania" were incorporated in new structure of water and waste water contributions adopted by the UGO 73/2005.

### D. STATUS OF PROJECT PERFORMANCE INDICATORS

#### STATUS OF PROJECT PERFORMANCE INDICATORS

#	PROJECT TASKS & RELATED INDICATORS	ACHIEVEMENTS
<b>Component B: EMS &amp; P2</b>		
1.	Pilot enterprises document substantial cost savings as a consequence of P2 actions undertaken	All pilot organizations reported substantial cost savings as a consequence of P2 actions undertaken, amounting to <b>\$1,017,000/year</b> .
2.	Pilot enterprises document significant reduction in polluting effluents as a consequence of P2 actions undertaken	Due to P2 actions undertaken, the following pollution reduction is achieved: - waste water flows: reduced by <b>180,000 m<sup>3</sup>/year</b> - pH reduced <b>from 13 to 11.5</b> at Novatex - BOD reduced <b>by 60%</b> at Alprom - pH adjusted in the allowed limits of <b>6.5-8.5</b>
3.	Pilot enterprises document improvements in spill prevention and emergency preparedness and response capabilities	- All partner organizations revised and completed their emergency preparedness and response plans as required by Romanian Legislation; - Due to low cost P2 measures undertaken all partner enterprises documented improvements in spill

#	PROJECT TASKS & RELATED INDICATORS	ACHIEVEMENTS
		prevention on site. Additionally, in Promex Braila personnel exposure to hexavalent chromium was reduced.
4.	Pilot enterprises document improved regulatory compliance	- All partner organizations up-dated their environmental legal database; - For indicators like pH and organics partner organizations improved regulatory compliance.
5.	P2 Action Groups document significant reductions in polluting effluent as a consequence of P2 actions undertaken	Due to P2 actions undertaken, the following pollution reduction is achieved: - waste water flows: reduced by <b>420,000 m3/year</b> - P and N loads in waste waters reduced by <b>60%</b>
6.	P2 Action Groups permanent in the pilot sites and have expanded beyond the initial enterprises	P2 Action Groups are permanent in pilot sites and expanded from <b>three</b> initial enterprises in each site to more than <b>ten</b> . By September 2005, P2 Action Groups will include <b>110</b> enterprises in Pitesti and <b>25</b> enterprises in Braila.
<b>Component C: TAIWAT/ WATMAN</b>		
1.	GOR prepare decision for WATMAN investment	GoR approved WATMAN investment. Required documents circulated with different ministries
2.	GOR secures financing for \$80 million investment	NA – this indicator may be evaluated and achieved once a decision is taken by the GOR to provide a sovereign guarantee and apply for an international loan to ExIm Bank or another financial institution.
3.	GOR takes decision to implement Rapid Response Centers (RRC)	GoR approved proceeding with RRC investment, as WATMAN Phase 1
4.	ANAR River Basin branches prepare emergency response communication plans	Assessment field visits to identify existing alarm systems and communication means and equipments in progress; data collection and analysis, and equipment acquisition plans must be concluded, and recommendations made, prior to achieving this indicator.
5.	Water management procedures developed for the Pilot river basin	Software installed, demonstrated and operators trained.
6.	ANAR River Basin branches develop specific spill prevention and containment procedures	Structure and number of RRCs defined in the feasibility study and approved by GoR
<b>Component D: ANAR</b>		
1.	MoEWM approves ANAR structure for EU accession	ANAR was set up as public institution through Government Ordinance 73/2005
2.	Business plans developed by Pilot River Basin Authorities	SEPIC provided the tool and guidance for the development of business plans in the report "Toward Setting Water- and Wastewater- Related

#	PROJECT TASKS & RELATED INDICATORS	ACHIEVEMENTS
		Contributions and Penalties in Romania", in the form of the financial model and the scenarios included in the report. Relevant staff of River Basin Directorates was trained at ANAR headquarters on the use of the financial model.
3.	New methodologies for price determination <i>applied</i> in pilot river basins	Pricing policies formulated in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania." Included in the Government Ordinance 73/2005, setting up ANAR
4.	New effluent pollution charges <i>tested and approved</i> at pilot level by ANAR	Pricing policies formulated in the report "Toward Setting Water- and Wastewater- Related Contributions and Penalties in Romania." Included in the Government Ordinance 73/2005, setting up ANAR
5.	At least three projects developed and financed by the Water Fund	Law 310/2004, modifying the Water Law cancels the Water Fund. Funds previously funneled into the Water Fund constitute now regular ANAR revenue.
6.	ANAR externalization processes completed	Final report in progress

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**D. Columbia Forestry, TO#824**  
*Start Date: August 11, 2003*  
*End Date: August 10, 2006*  
*Amount of Delivery Order: \$22,700,000.00*

**I. Background**

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development Program (CFDP) to Chemonics International. The program aims to expand the production of marketable and profitable forest products that increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. An increase in profitable activities in the forest sector creates real economic alternatives to illicit crops.

CFDP will assist in developing a viable commercial forestry sector and in catalyzing productive investments in four priority zones that offer reasonable access to markets, forest sector support services and production chains. Assistance will focus on connecting sustainable production chains to domestic and international markets. Local assistance is provided by Chemonics' subcontractors, which include *Araujo Ibarra y Asociados*,

Econometría, the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF), Gómez Chica, *Dattis Comunicaciones* and the World Wildlife Fund, among others.

CFDP priority zones are located in Bajo Magdalena, Bajo Atrato-Urabá, the Southwest Pacific Coast and Northeastern Antioquia. The regions were selected because they contain considerable forest resources, suffer from increasing cultivation of illicit crops and have defined markets for forest products.

Program activities focus on four components:

1. Forest Policy: CFDP has improved knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and is working to support necessary policy reform.
2. Plan Colombia: CFDP is assisting Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. Improved Forest Product Production Chain: CFDP is providing assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. A “Co-Investment Fund” serves as the primary vehicle for providing this assistance, through technical assistance at the pre-investment stage, as well as co-financing of initial project investments for selected projects with favorable cost-benefit ratios.
4. Commercial Forestry Development Fund: CFDP also provides additional assistance to support viable and responsible commercial forestry incentives outside the four priority zones.

Significant program results include establishing 15,000 hectares of industrial plantations and agro-forestry, establishing three wood processing centers, creating 500 new jobs and benefiting 3,000 families.

## **II. Executive Summary**

The following bullets highlight the major events and accomplishments of CFDP during the quarter.

- Completed 16 business plans for co-investment activities under Component Three.
- Sent 6 co-investment grant applications to USAID for approval.
- Completed forestry inventories for all natural forest areas.
- Began planting with FGB beneficiaries in Urabá.
- Continued building consensus around needed changes to the Senate-approved version of the forestry law and supporting public forums on the law.
- Completed the majority of all Environmental Reviews and submitted the first Forestry Management Plan for review by USAID.
- Received a stop work order for activities under Component Three.

- Began developing a transition plan for all Component Three activities to USAID's new MIDAS contractor.

#### CFDP Key Indicators Generated to Date

Indicator	Quarter 3 CY 2005	Cumulative
Families Benefited	2,091	3,781
Jobs Created	43	190
Hectares of Plantations/Agroforestry	481	481
Institutions Strengthened	16	29

**Next Quarter.** During the next quarter, CFDP plans to accomplish the following:

- Implement the bridging projects approved by USAID for FGB and plantation activities.
- Receive approval for and begin implementing forestry management plans for Bajo Mira y Frontera and Corpourabá.
- Complete three additional forestry management plans and gain USAID approval.
- Support marketing events for environmentally friendly products.

### III. Improved Forest Policy

The current session of Congress was convened on July 20<sup>th</sup>. However, as of the end of the quarter the forestry bill had not been brought to the floor of the *Cámara* for debate. This was due to the uncertainty surrounding the fate of all governmental bills given the possibility of reelection. Once reelection is decided during the next quarter, CFDP hopes the *Cámara* will debate and pass the bill.

If the bill is passed by the *Cámara*, it will then need to pass through a subsequent reconciliation process, due to differences between the Senate and House versions of the bill. If the reconciliation successful, the bill is expected to become law, at which time relevant Ministries (Environment and Agriculture) are expected to lead processes geared toward developing corresponding regulations. CFDP plans to support this process throughout, facilitating participatory processes that maximize the chance of acceptance and success.

In addition, CFDP supported several public events and fora to stimulate broad discussion on the forestry bill. On August 25, CFDP supported a forum for indigenous and Afro-Colombian groups to express their concerns on the bill. Some 178 community representatives attended. On August 26, CFDP supported an academic forum to discuss the legal and forestry aspects of the bill. International experts from several Latin American countries presented their nations' experiences with forestry management. The forum drew an audience of approximately 160 people. On September 2, CFDP supported another forum on the bill in Quibdó. Some 285 representatives of Afro-Colombian communities attended.



CONIF's Camilo Aldana opens the academic forum.

CFDP has also attempted to improve the press coverage of the bill, seeking ways to ensure that major media outlets might be provided with balanced information reflecting all viewpoints. As a result, press on the forestry bill during the quarter has become more equilibrated. Several critical articles were included by environmental groups and several positive articles were published by major newspapers. In addition, both Ministers came out strongly in support of the forestry bill in the media.

#### IV. Support to Plan Colombia

In an effort to forge links with private partners and maximize the chances of sustainability, CFDP has facilitated the entry of several FGB projects into the CFDP co-investment fund process. As a result, all Urabá FGB projects involved in fast-tracking had begun producing plant material to meet the growing season time restrictions while finalizing their business plans. When CFDP received the Component 3 Stop Work Order, the projects already had seedlings that were ready to plant. The delay in planting caused by the Stop Work Order generated limited losses of plant material. The following chart lists the losses suffered by each operator.

Project	Lost Seedlings	Lost Hectares	Commercial Loss
Irrimer	16,800	15	8,765
Incuagro - forestal	84,400	100	29,435
Incuagro - rubber	11,000	20	9,565
<b>TOTAL</b>	<b>112,200</b>	<b>135</b>	<b>\$47,765</b>

#### A. Familias Guardabosques – Urabá

In conjunction with the GOC's *Familias Guardabosques* Program, CFDP is supporting agroforestry efforts in Turbo and Necoclí. CFDP resources will be used to establish 40 hectares of demonstration plots containing cocoa, rubber, plantains and wood-producing trees such as oak, cedar, teak and walnut. The plots are being used to train beneficiaries on the technological package for each crop and the nurseries will eventually serve as a source of income for the communities that pooled their own capital, along with co-financing provided by CFDP to establish them.

During the quarter, CFDP established 25 of the 40 hectares originally designated for the demonstration parcels. Approximately 340 beneficiaries have received training on the parcels.

CFDP has also supported the establishment of eight community enterprises in the region. These businesses will handle all business planning, operations, and commercialization activities of the projects. CFDP provided training on enterprise development during the quarter and will continue to do so during the next quarter.



FGB beneficiaries planting teak seedlings.

### 1. Irrimer

During the quarter, CFDP supported development and completion of a business plan for 900 hectares of cocoa benefiting FGB participants. Irrimer, a Colombian operator with extensive agroforestry experience, expressed interest in implementing the project. Following Irrimer's visits to project sites, research into the business potential presented by nascent community enterprises and associated land and agro-climatic conditions, the firm developed draft and final business plans and associated grant proposal aimed at participating in the CFDP Co-Investment Fund. When the Stop Work Order for Component 3 was received, this project was put on hold. If approved by USAID, CFDP hopes to support bridging activities for this project until MIDAS can take over in early 2006.

### 2. Incuagro – rubber

During the quarter, CFDP supported development and completion of a business plan for 600 hectares of rubber benefiting FGB participants. Incuagro, a quasi-private operator closely linked to Plan Colombia, expressed interest in implementing the project. By the end of the quarter, Incuagro had completed revised final draft business plans and grant proposals, for both CFDP's Co-Investment Fund and also for funding from Plan Colombia's own sources. When the Stop Work Order for Component 3 was received, this project was put on hold. If approved by USAID, CFDP hopes to support bridging activities for this project until MIDAS can take over in early 2006.

### 3. Incuagro – plantations

During the quarter, CFDP finished a business plan for 2,400 hectares of commercial reforestation benefiting FGB participants. Incuagro, a quasi-private operator closely linked to Plan Colombia, expressed interest in implementing the project. By the end of the quarter, Incuagro had completed revised final draft business plans and grant proposals, for both CFDP's Co-Investment Fund and for funding from Plan Colombia's own sources. When the Stop Work Order for Component 3 was received, this project was put on hold. If approved by USAID, CFDP hopes to support bridging activities for this project until MIDAS can take over in early 2006.



Nursery worker with root-bound melina seedling.

### B. Familias Guardabosques – Santa Marta

During the quarter, CFDP received a grant proposal to extend the Red Ecolsierra project to an additional 350 FGB families through the auspices of the *Federación de Cafeteros del Magdalena*. However, given instructions by USAID, the grant was halted. Once news on the transition plan is received CFDP's further support of the organic projects on the Sierra with FGB will be defined.

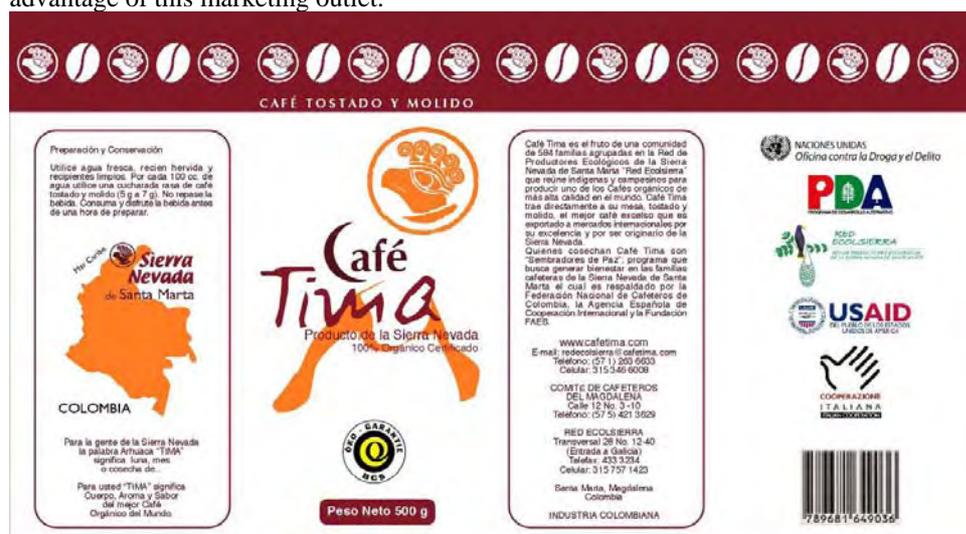
#### 1. Red Ecolsierra

CFDP's grant to Red Ecolsierra is to establish demonstration plots containing organic coffee, organic

cocoa and wood-producing shade trees in coordination with the United Nations. After the communities have received technical training and assistance on the plots, *Red Ecolsierra* will establish 100 hectares of organic cocoa and wood-producing shade trees and an additional 50 hectares of organic coffee and wood-producing shade trees. The cocoa will be marketed through Daabon, the coffee through the *Federación de Cafeteros de Magdalena* and the wood will be marketed regionally.

During the quarter, Red Ecolsierra delivered the plant material for the 150 hectares of cocoa to FGB families and began distributing the wood-bearing tress (cedar, mahogany, walnut, oak) that will provide shade for the cocoa once the transitory crops (plantains, corn) have been exhausted. Red Ecolsierra also conducted extensive soil testing on the lands belonging to program beneficiaries in order to tailor the technological packages for the agroforestry arrangements. In addition, FGB beneficiaries were provided with extensive training on organic composting, micro-business topics, honey cultivation and agroforestry techniques.

The marketing package for the project’s coffee and honey were also developed and the UN has begun commercialization efforts for other non-FGB beneficiaries associated with the project. Once CFDP’s FGB beneficiaries begin production, they will be able to take advantage of this marketing outlet.



Design of coffee package for Red Ecolsierra-UN-CFDP Project.

## 2. Fundeagro/Daabon

In accordance with the Sierra’s interest in organic production, CFDP received a business plan and grant proposal for an agroforestry project tied to *Familias Guardabosques* from Daabon, (one of the region’s premier organic marketing companies). The project initially involves 400 hectares of organic certified cocoa grown in combination with tree species which provide permanent shade and long-term revenue opportunities. The project aimed to qualify for grant financing through CFDP’s Co-Investment Fund and was

correspondingly affected by the stop work order.

## **V. Improving Forest Products Production Chains**

During the quarter, CFDP received business plans for 16 projects as part of its co-investment portfolio. CFDP's *Junta Asesora* met on August 22 to review the first round of business plans. Seven were approved for final submission to USAID: CIMAT, Fundeagro, Madeflex, La Luz del Retiro, Selva Húmeda, El Guásimo and Madeurabá. During the next three weeks, six were submitted to USAID and another five were in translation. Grant worthiness assessments were completed on all grant applicants.

On September 12, CFDP received a stop work order for all activities under component three. After telephone discussions this order was amended to exclude currently contracted natural forestry activities. USAID requested that CFDP begin work on a transition plan that would transfer all co-investment activities to the new MIDAS project. CFDP immediately began work on the plan. CFDP also assembled the grant application packages for the remaining five grants that had yet to be sent to USAID. At the close of the quarter, all 11 grant applications had been completed and are awaiting the arrival of the MIDAS team.

In addition, USAID began meetings with the co-investment proponents to explain the contents of their letter, informing proponents that their projects would be transferred to MIDAS for possible implementation. The first meeting was held on September 28 in Medellín. Several other meetings were scheduled for early in the next quarter.

### **A. Bajo Atrato – Urabá**

In Urabá, the stop work order affected the following projects: La Luz del Retiro, Proban, Madeurabá (PRODES), Viviero Selva Húmeda, FGB co-investment (discussed previously) and Proforest. During the next quarter, CFDP will work closely with USAID to communicate possible next steps for collaboration with project beneficiaries under MIDAS. The region's natural forestry activities remained active.

#### **1. Corpourabá**

Afro-Colombian communities, through Corpourabá, continue to develop a sustainable forest management plan for 26,529 hectares of natural forest, benefiting an estimated 1,000 families and creating 130 jobs. During the quarter, Corpourabá and associated communities completed the forest inventory and completed the Forestry Management Plan. The plan was submitted to USAID and the CAR for review and as the quarter closed approval is still pending from the both.

Corpourabá also helped the communities to update their *reglamentos internos* governing natural resource use. In addition, Corpourabá designed a training program for the nascent community business that will handle forestry production. The training program covers the environmental, administrative, business and social skills required to assure successful operations.

In addition, Cocomacia, the community organization, signed a supply agreement with Prodes that commits the two groups to look for ways to link Cocomacia's wood to

Prodes' associated transformation centers.

During the next quarter, CFDP expects that the management plan will be approved by USAID and the CAR and the first annual harvest will take place.

## **2. Organización Indígena de Antioquia (OIA)**

The indigenous communities associated with the *Organización Indígena de Antioquia* continue developing their forest management activities. Under this sub-contract, OIA is completing a sustainable forest management plan covering some 13,000 hectares of forest, benefiting 800 families and generating 100 jobs.

During the quarter, OIA finalized their forest inventories and forestry management plan. The management plan was sent to Corpourabá and will be sent to USAID for approval shortly. In addition, OIA began work on a business plan for their forest resources and consulted widely for pertinent marketing information. They also established an agreement with SENA to provide training on forest harvesting techniques and business skills, for eventual use in an indigenous forestry company.

During the next quarter, OIA will submit its forestry management plan to USAID for approval. It will also finalize plans for the first harvest and continue the aforementioned training programs.

## **B. Pacific Southwest**

In the Southwest, the stop work order affected the implementation of two industrial parks: CIMAT and Buenaventura. During the next quarter, CFDP will work closely with USAID to communicate possible next steps for collaboration with project beneficiaries under MIDAS. The region's natural forestry activities remained active.

### **1. Bajo Mira y Frontera**

CFDP has supported local community organizations in developing a natural forestry management plan for 9,705 hectares and established a community enterprise with the *Consejo Comunitario de Bajo Mira y Frontera*. The project is benefiting an estimated 1,606 families.

During the quarter, the plan was completed and submitted to USAID and Corponariño for approval. On July 17<sup>th</sup>, Corponariño approved the management plan and on August 9<sup>th</sup> they approved the harvesting plan. At the end of the quarter the plan remained under revision by USAID. The community also formed their own community enterprise and signed a supply agreement with the Tumaco sawmill, CIMAT, a co-investment project stopped by the USAID stop work order.



Work on first harvest census in Bajo Mira

During the next quarter, CFDP will provide technical support for the first harvest and provide extensive low-impact harvest training to community members. If approved by USAID, assistance will also be given to the community forestry enterprise as it prepares and executes the first harvest.

## **2. Alto Guapi - Semillas de Agua**

CFDP is also supporting local communities and organizations in developing a management plan and community forest enterprise with the *Consejo Comunitario de Alto Guapi* through subcontractor *Semillas de Agua*. This effort will result in the management of 23,000 hectares of natural forest and benefit 450 families.

During the quarter, Semillas de Agua completed the statistical inventory and the census for the first year's harvest. They also trained community members on natural forestry topics such as planning, compass use, topography and dasometric evaluation.

During the next quarter, Semillas de Agua will complete the forestry management plan and forward it to CRC and USAID for approval. It will also begin work on the carpentry component of the project in Guapi.

## **3. Docampadó - Bioexp**

Early in the quarter, CFDP signed a contract with Bioexp to sustainably manage 10,000 hectares of natural forest in coordination with 820 family beneficiaries in Docampadó, Chocó. During the quarter Bioexp completed the statistical inventory, provided training on forestry inventories to community members, elaborated a socioeconomic diagnostic and trained community members on community forestry management.

During the next quarter, Bioexp will develop the forestry management plan for submission to Codechocó and USAID and will continue to provide training to community members.

## **C. Bajo Magdalena**

In Bajo Magdalena, the stop work order affected the region's entire project portfolio: Refocosta, Madeflex, Pizano, Daabon, FGB co-investment (discussed previously) and Aprocosne. CFDP will strive to minimize plant losses of those projects involved in fast-track and additional costs stemming from fast-track soil preparation activities. During the next quarter, CFDP will work closely with USAID to communicate possible next

steps for collaboration with project beneficiaries under MIDAS.

#### **D. Northeastern Antioquia**

In Northeastern Antioquia, the stop work order affected the region's entire project portfolio: Propal, *Reforestadora El Guásimo* and *USM Ingenieros*. El Guásimo was the only project involved in fast-tracking and is planning to plant its seedlings on lands that have already been harvested, thus minimizing plant losses. During the next quarter, CFDP will work closely with USAID to communicate possible next steps for collaboration with project beneficiaries under MIDAS.

#### **VI. Commercial Forestry Development Fund**

CFDP's Commercial Forestry Development Fund supports a broad variety of grants targeted at improving the national forestry sector. These grants support institutional strengthening, marketing and research activities.

## **A. CAR Institutional Strengthening**

All seven CAR pilot projects began implementing fully during the quarter. CFDP has been providing regular follow-up on all activities and additional technical assistance as necessary.

### **1. ASOCARS**

The ASOCARS grant supports the design of an information system that collects data on the forestry chains in nine CARs and facilitates the exchange of this information between them. During the quarter, ASOCARS finished their analysis and variable identification for the three links in the forestry chain. They also developed a website for their information system: [www.asocars.org.co/CadenaForestal](http://www.asocars.org.co/CadenaForestal).

### **2. Corpourabá**

The Corpourabá grant has the following components: 1) implement a system of forest regents who will monitor extraction activities and assure that sustainable practices are being used, 2) develop technical guides on sustainable forestry management and 3) design a forest information system including forestry statistics and cartography. During the quarter, Corpourabá accomplished the following: 1) adjusted the regulations for the forestry regents program prior to submitting it for approval, 2) is close to finishing the guides for natural forest management and 3) developed a database design to host the information system.

### **3. Corpamag**

CFDP's grant to Corpamag contains the following components: 1) provide training on natural forest management to communities on the Río Frío and 2) promote reforestation and provide forestry training to farmers in four municipalities. During the quarter, Corpamag began contracting necessary personnel and purchasing equipment.

### **4. Corponariño**

The Corponariño grant provides training to 46 community councils in Nariño on sustainable natural forest management, agroforestry, reforestation and regulations. To date, Corponariño has developed a work plan and contracted the necessary personnel. Work on the forestry diagnostic is scheduled to begin early in the next quarter.

### **5. CRC**

CFDP's grant with CRC contains the following components: 1) develop internal regulations with community councils in Guapi and Timbiquí, 2) socialize internal regulations with the *veredas* in each council and 3) provide training on sustainable forestry management to the community councils. During the quarter, CRC met with members of the two communities to socialize the internal regulation process and begin initial work. They also trained their own staff in the use of GIS systems and hired the necessary staff for the project.

### **6. Corantioquia**

Corantioquia's grant 1) addresses normative aspects of its forestry regulation pertaining

to natural and plantation forests and 2) audits *Plan Laderas*, a reforestation effort on the mountains surrounding Medellín, to determine next steps in promoting regional reforestation. During the quarter Corantioquia prepared terms of reference for both activities. Implementation of the two activities will begin during the next quarter.

## **B. Support to Fedemaderas**

During the quarter CFDP continued offering technical assistance targeted to strengthen Fedemaderas. In order to better define Fedemaderas' mission, CFDP began interviewing Fedemaderas' affiliates to gauge the services they seek from the association. In addition, CFDP began a benchmarking of international forestry trade associations and other national associations to examine possible services and roles for Fedemaderas. The results of both studies will be available early in the next quarter. CFDP also conducted an overhaul of Fedemaderas' website, bulletin and accounting procedures and has begun improving them. Finally CFDP supported spokesperson training for Fedemaderas and began work on a Fedemaderas' communications strategy, scheduled to be finished during the next quarter.

## **C. Marketing Initiatives**

### **1. Wood Properties and Uses Marketing Database**

The International Tropical Timber Organization (ITTO) has given CFDP permission to use and update its database with species common to CFDP's two natural forest regions. The database will allow potential buyers to view characteristics of the species and make informed decisions on their use and market potential. During the quarter, CFDP finalized the database and uploaded the information onto a website, [www.maderasdecolumbia.org](http://www.maderasdecolumbia.org).

Sinchi, Fedemaderas and CONIF have agreed to update the database after CFDP's contract expires. During the next quarter, CFDP will continue to update the website design to make it more user-friendly and will fulfill their commitment of sending information on 144 Colombian tree species to the ITTO. Sinchi will also publish a tree identification field manager for forestry engineers.

### **2. CIDICO**

To increase the value of products harvested from pine plantations, CIDICO's grant stimulates the domestic market for wood construction. The

grant focuses on the following areas: 1) improving designs with well-dimensioned and graded structural lumber, MSD, 2) supporting technology transfer, 3) promoting pilot projects using wood and 4) exploring policies, rules, codes and financing affecting construction companies using wood. During the quarter, CIDICO organized the companies that volunteered to work with MSD wood in construction. In addition, CIDICO developed two housing prototypes and plans to begin construction during the



Community training on forestry management.

next quarter. CIDICO also held a seminar on housing design using MSD in Medellín, Cali and Armenia.

#### **D. Reforestadora San Sebastian (RESS) - Genetics**

The RESS grant achieved its objectives during the last quarter and is being closed out.

#### **E. Monterrey Forestal**

CFDP's grant with Monterrey Forestal supports a feasibility study and develops a Project Design Document (PDD) that will be used to access international carbon trading markets. Monterrey Forestal is coordinating closely with the Ministry of Environment's Office of Climate Change. The PDD will allow Colombian forests access to the funds generated by carbon markets, thus providing an important additional resources for forest operations. The project focuses on three original areas of geographic interest: Medio Atrato, Urabá and Zambrano, Bolivar.

During the quarter, field work began, initially focused in Bolivar. The Monterrey Forestal team gathered a database on available lands, soil use, socioeconomic data and the species apt for carbon sequestering that grow well in the region. In addition, they developed a baseline, a carbon accounting methodology for the region and growth rates for the applicable species. During the next quarter, Monterrey plans to finish the field work in the remaining regions.

### **VII. Progress Toward SO2 Goals**

During the quarter, CFDP met and surpassed its contractually targeted goal for families benefited, due to the increased activity in the FGB component. The hectares for agroforestry and plantations also increased due to FGB plantings. Note that given the stop work order on Component Three activities, the main generator of CFDP indicators, the contractual goals will need to be renegotiated.

**CFDP Contractual Goals Indicators Generated to Date**

<b>Indicator</b>	<b>Quarterly</b>	<b>Cumulative</b>	<b>Contractual Goals</b>
Jobs Created	43	190	500
Families Benefited	2,091	3,781	3,000
Industrial Parks Created/Productive Infrastructure	-	-	3
Hectares of Agro-forestry and Plantations	481	481	15,000
Policies and Incentives Reviewed and Diffused	-	2	1
New Markets Identified	-	-	3
Increased Percent Usable Wood	-	-	50%
Increased Value Per M3 of Wood Sold	-	-	TBD <sup>2</sup>

<sup>2</sup> The increase in value per cubic meter will be monitored and reported on, but no specific percentage was specified. However since this indicator was tied to the industrial parks, it will need to be renegotiated.

Higher Quality Standards Applied	-	-	25%
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In addition to its contractual goals, CFDP monitors other indicators included in its technical proposal, such as hectares of natural forest under management and indicators such as institutions strengthened that are requested by USAID.

#### Other CFDP Indicators Generated to Date

Indicator	Quarterly	Cumulative
Hectares of Natural Forest Under Management	0	9,705
Institutions Strengthened	16	29

#### Progress on Natural Forest Management Scale (Hectares)<sup>3</sup>

Operator / Area	Rapid Diagnostic	Signed Agreement with Communities	Forest Inventory Completed	Management Plan Developed	Management Plan Approved by CAR	Harvesting According to Plan
Bajo Mira y Frontera					9,705	
Semillas de Agua / Alto Guapi				23,000		
Bioexp/Docampadó				10,000		
Corpourabá / Vigía del Fuerte - Murindó					26,529	
OIA /Chigorodó - Mutatá					13,000	
<b>Total</b>				<b>33,000</b>	<b>49,234</b>	

<sup>3</sup> This six step scale was developed to show when natural forests could be considered well-managed. CFDP believes that harvesting according to the management plan is the last step in this process, given the program's timeframe. Green indicates the step has been completed, yellow indicates that it is in process.

In July 2005 USAID introduced other indicators, as noted in the following table.

**July 2005 Indicators**

<b>Indicator</b>	<b>Quarterly</b>	<b>Cumulative</b>
SMEs receiving assistance	16	16
Communities signing coca-free agreements	111	111
Families included under coca-free agreements	2,254	2,254
Proportion of client families coca-free	100	100
Private sector funds leveraged	0	112,242
Public sector funds leveraged	0	73,587

## **VIII. Program Management and Support Activities**

### **A. Grants and Contracts**

During the quarter, major contracting activities included: 1) signing contract with Bioexp, 2) altering the grants manual to include the co-investment process 3) provide support to transition plan and 4) contract and grant follow-up.

### **B. Budget Modification**

On June 29, CFDP submitted a budget modification reflecting its revised work plan submitted in February 2005. The budget modification was signed on September 7. As a result of the stop work order, CFDP anticipates preparing a transition plan, work plan and budget modification during the next quarter.

### **C. Communications**

During the quarter, CFDP launched its website: [www.pcforestal.org](http://www.pcforestal.org). CFDP communications subcontractors began a variety of activities aimed at providing support to the law, generating one-pagers, revising communications strategies and developing other communications tools.

### **D. Environmental Compliance**

During the quarter, CFDP submitted FRAs on all projects to USAID for approval. Some of these activities were halted as a result of the stop work order. CFDP also submitted its first Forestry Management Plan for Bajo Mira y Frontera for review.

### **E. Monitoring and Evaluation**

On August 22, CFDP submitted their Revised Performance Monitoring Plan to USAID for revision. This revised plan included the new indicators requested by USAID in June 2005.

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**E. Paraguay Poverty Reduction, TO#825**

*Start Date: August 15, 2003*

*End Date: August 11, 2007*

*Amount of Delivery Order: \$ 6,196,728*

Under the General Business Trade and Investment Indefinite Quantity Contract (IQC), on August 12, 2003 the Chemonics consortium was awarded a task order to provide technical assistance in support of the Paraguay Poverty Reduction Program (Contract No. PCEI00990001500, Task Order 825). The contract is being implemented by Chemonics International with Crimson Capital Corporation, Universidad Católica Nuestra Señora de la Asunción/Shirosawa Company SAIC Consortium (UC/Shirosawa), Cámara de Comercio Paraguayo-Americana, and Enlace/Asecorp Consortium as subcontractors. The duration of the task order is four years, during which time we shall provide business development services to reduce poverty and to expand sales, jobs, and investment in Paraguay.

The Paraguay Vende project works to increase the incomes of the poor in selected economic regions and produce a rapid economic turnaround through job creation and income generation. Paraguayan subcontractors manage three Economic Service Centres (ESCs) located in Ciudad del Este, Coronel Oviedo, and Pedro Juan Caballero. These cities lie in strategically selected economic corridors where poverty converges with potential for economic growth. Adopting a demand-driven approach, the ESCs identify individual firms with the highest potential for growth and a willingness to invest, regardless of the sector or product. Providing only non-financial technical assistance, the project helps client firms solve problems to overcome specific obstacles to expanding sales and entering new markets. Paraguay Vende helps firms make contact with buyers, meet quality standards, achieve consistent quality and supply, and increase profits by maximizing the value added locally. Moreover, working with client firms, the project will identify policy and regulatory constraints hindering economic growth, and the project's Trade Facilitation Center (CFC) will work to remove these constraints to foster a more enabling environment.

**Results**

Program success is measured in terms of the program's documented impact on several critical indicators. Program results are directly attributable to interventions and assistance provided to the clients it serves. The program is expected to achieve the following results:

1. Employment: 1,312,500 days of employment generated
2. Increase in Business volume (sales): \$15,750,000
3. Increased Investment in plant and equipment: \$1,750,000
4. Increased Exports (may be a subset of sales reported in indicator #2 above): \$5,250,000

*This report summarizes Paraguay Vende's activities and progress this quarter, describes any problems which have arisen during implementation, outlines solutions to problems and presents a preview of the activities to be undertaken during the next quarter. It also contains a summary of level of effort and expenditures, by quarter and cumulative through the life of the project.*

## A. Summary

This section presents an overview of the project's activities during the past quarter. The chart below details the firms that Paraguay Vende is currently assisting.

### Current Companies assisted (preliminary information)

N°	Company	Product	Market	Rating
1	Bosques de Asunción	Honey	Externo	B
2	Castilla	combustion alcohol	Interno	A
3	CHORTITZER KOMITEE S.R.L.	Milk	Externo	A
4	Chung Bo	Sesame	Externo	A
5	Coop. Guayaibi Poty	Fruits	Interno	A
6	Coop. Industrial Yegros Ltda.	Combustion Alcohol	Interno	C
7	Coop. Norteña de Ycuamandyyu	Fruits	Interno	A
8	Coop. Ycua Bolaños	Sesame	Interno	A
9	Dalazen	Tractor Cabins	Externo	A
10	Delfín Ruíz A.	Cottonseed oil	Interno	A
11	DESTILERIA DEL SUR	Combustion Alcohol		A
12	DTP	Ecotourism travel packages	Externo	A
13	El Cardúmen	Fish distribution	Interno	B
14	ERSA	Flour/Pet Food	Externo	B
15	Estancias FD	Organic Yerba Mate	Interno	A
16	Fibrac	Tanques de fibra de vidrio	Interno	A
17	Fruterra	Fruit exports	Externo	A
18	Futika	Fruit Juice	Externo	A
19	Hierbapar	Aromatic herbs and spices	Interno	B
20	HNR Industrial	confecciones sobre cuerina	Externo	A
21	Imperio Guaraní S.A.	Stevia	Interno	A
22	Ind. Maderera COPELAND	Wood	Externo	A
23	Industria Casera aho poí	Artisanal products	Externo	A
24	Infosa	Parquet flooring	Externo	A
25	James A. May	Tea with yerba mate and	Externo	A

		stevia		
26	José Devenir Gómez	Sing designer	Externo	A
27	La Lechuza	Tea bottling	Interno	C
28	Mapasa	Resortes para colchones	Externo	A
29	Metalforte	Cabins and pulverizers	Interno	B
30	Motopar	Motorcycle dealer	Interno	B
31	Naturit	Tea	Externo	A
32	One World Trading	Organic products	Externo	A
33	Paraguay Trade Fairs	Business fairs	Interno	A
34	Prodalcon S.A.	food dealer	Interno	A
35	Scampi	Freshwater shrimp	Interno	A
36	Semillas Kemagro S.R.L	Premium sesame	Externo	A
37	Shirosawa Company	Sesame	Externo	A
38	SUR-PY S.A	Artisinal goods	Externo	A
39	Upisa	Pork	Externo	A
40	Xtreme	Wood Mouldings	Externo	A

### Rating

A= Strategic cases  
 B=Normal  
 C=Declining  
 D=Termination

### Results

The chart below shows the preliminary results from the third quarter. Please note that these numbers have not yet been finalized by the monitoring and evaluation unit and may change prior to submission of the project's quarterly report to the CTO's office at USAID/Paraguay.

Of the forty firms associated with Paraguay Vende, twenty-seven have already demonstrated results. If we include results from the beginning of the project, it is evident that the project is well on its way towards achieving the goals set forth above.

Table 3  
**Q3 – FY 2005 Preliminary Results**  
 In Guaranies and Dollars

COMPANY	Additional Sales USD	Additional Exports USD	Additional Sales Q3 Gs.	Additional Exports Q3 Gs.	Additional Employment Q3 in person days	Investment Q3 USD
DTP	134,251	0	0	820,169,799	23,478	0
FRUTERRA DEL PARAGUAY SA	0	4,547	28,004,035	0	894	0
Hierbapar	88,420	2,188	13,710,735	570,679,055	13,115	0
James May	0	0	0	0	0	0
La Lechuza S.R.L.	30,607	0	0	183,539,090	1,731	0
One World Trading	0	39,841	277,135,047	0	2,800	0
POMBERO-SUR PY S.A.	29,812	0	0	240,605,261	4,331	2,833
Scampi S.A. - Don Camarón	4,704	0	0	29,204,640	985	0
TELNET S.A.	13,440	101,785	648,817,406	80,851,200	22,648	42,811
CHUNG BO S.A.I.C.I	0	713,073	4,418,004,418	0	125,376	0
Naturit S.R.L.	0	14,209	87,228,852	0	2,793	0
Paraguay Trade Fair	27,154	0	0	169,218,706	2,794	0
Semillas Kemagro S.A.	0	30,855	185,611,977	0	6,065	0
Dalazen S.A.	619,403	0	0	3,801,289,082	36,892	0
Grupo Estancias FD	214,140	0	0	1,310,345,344	42,085	0
Metalforte	120,239	0	0	725,569,703	7,162	0
UPISA	0	2,323,664	14,201,114,546	0	202,281	330,000
X-Treme MOLDUPAR	0	350,864	2,135,999,280	0	44,434	735,418
Chortitzer Komitee LTDA.	0	84,218	515,817,784	0	5,335	0
Braview	201,617	0	0	1,197,028,913	25,948	0
Motopar S.A.	39,357	0	0	239,579,688	5,065	0
Bosques Asunción S.A.	1,884	0	0	12,124,898	134	13,884
Delfin Ruiz	809,630	0	0	4,963,015,431	67,393	0
Fibrac	129,492	0	0	825,842,826	17,550	0
Infosa S.R.L.	0	188,077	1,193,177,984	0	23,818	0
Magro Plan	5,930	0	0	32,652,764	858	0
Shirosawa	0	3,378,652	22,727,044,306	0	664,079	0
Destileria del Sur	391,868	0	0	2,376,995,937	8,751	0
<b>Totals</b>	<b>2,727,697</b>	<b>7,231,971</b>	<b>46,431,666,371</b>	<b>16,758,542,539</b>	<b>1,335,317</b>	<b>1,124,945</b>

### A1. Continuing Technical Assistance

In the third quarter of 2005, the Paraguay Vende project continued to provide 19 companies with technical assistance to solve business problems and increase sales. Companies like Dalazen and Xtreme have continued to receive assistance and are generating solid results for the project. During this quarter, the project discontinued work with 17 firms that are listed in the table below.

#### Companies with “D” rating (terminated status)

Nº	Company	CSE	Product	Status USAID approval	Market	Rating
1	Granja Aida	PJC	Filetes de tilapia	Aprobado	Externo	D
2	Itacuer	PJC	marroquinería	Aprobado	Externo	D
3	Grupo Trinidad S.A	PJC	Café colombiano	Aprobado	Externo	D
4	José Cohelo	PJC	Carbón vegetal	Aprobado	Externo	D
5	Panter	PJC	Cáscara de naranja agria	Aprobado	Externo	D
6	Soja Rica	CO	Soja Rica	Aprobado	Interno	D
7	AKASA	CO	Chimichurri	Aprobado	Interno	D
8	TRANSTRADE	CDE	Zona franca	Aprobado	Interno	D
9	BRAVIEW	CDE	Monitores reciclados	Rechazado	Interno	D
10	GUARANI CROPS SCIENCE	CDE	Hojas de stevia	Aprobado	Externo	D
11	KTC Paraguay	CDE	Jugo de futas	Aprobado	Externo	D
12	MAGRO PLAN	CO	Hierbas medicinales	Aprobado	Interno	D
13	ORO VERDE	CO	Yerba mate	Aprobado	Interno	D
14	AGROPLUS	CO	Hojas de stevia	Aprobado	Interno	D
15	EL AGRICULTOR	CO	Yerba mate	Aprobado	Interno	D
16	TELNET	PJC	Hojas de stevia	Aprobado	Externo	D
17	CONFECCIONES CATEDRAL	PJC	Confecciones en Ao poi	Aprobado	Interno	D

### B. Technical Activities Planned for Next Quarter

During the next quarter Paraguay Vende anticipates several activities with client firms. These activities will seek to strengthen ties with current buyers in the region, and to cultivate new relationships with potential customers for Paraguayan products. In particular, Vende will continue to provide assistance to numerous firms that are exporting wood, with the goals of increasing sales in this area and helping more Paraguayan firms in this sector.

### **C. Problems and Proposed Solutions**

The project has no notable problems to discuss from this quarter.

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### **F. Assistance for Regional Investment Centers and Investment Promotion in Morocco, TO#826**

*Start Date: October 27, 2003*

*End Date: December 31, 2005*

*Amount of Delivery Order: \$2,195,463*

#### **Introduction**

This report details the activities completed during the third quarter of 2005. As with previous reports under this contract, it is structured according to the work plan and schedule of tasks set by Chemonics.

In addition to the description of activities undertaken, the report presents our qualitative evaluation of those activities, along with a description of difficulties encountered in implementation and delays occurring with respect to the project's Moroccan partners.

#### **A. Assistance for Regional Investment Centers**

##### **A.1 Organization and improved administration of Regional Investment Centers.**

##### ***Analyzing and evaluating the single form***

During the third quarter of 2005, the single form for business creation was revised by Jean-Michel Mas and Maria Bahnini to incorporate the modifications recently introduced by the Registry of Commerce. This resulted in the creation of nine versions of the single form, one for each legal industrial classification of a company. The modifications were then reviewed by the Regional Investment Centers (RICs), who submitted comments and proposed changes for consideration. The forms were finalized by ARGAZE and will be available for user download on the Web site <http://www.investinmorocco.com> (not yet online). A copy on CD will be sent to the 16 RICs in the next few days

##### ***Manual of procedures for investment project creation***

The manual of procedures for investment projects is now complete and a National Committee of Validation has been established by Mr. Alami Talbi, Morocco's Minister for Economic Affairs and General Affairs of the Government. The permanent members of this Committee are the Ministry of Interior, the Ministry of Justice, the Ministry of Industry and Commerce, the Ministry of Finance, the Ministry of Equipment and Transport (regional planning officials), and three RICs. This committee will invite the various national administrations to join it and participate in the validation process. The Committee's mandate is the validation of the procedures in the manual (forms, supporting documents, fees, and processing times). It meets every Tuesday morning, and the meeting agendas indicate that

extensive discussions are taking place. At the request of Minister Talbi, who chairs this Committee, the secretariat role is filled by the Department of Investments, specifically by Mr. Said Aqri. The project charged Mr. Jean-Michel Mas with providing technical support to the establishment of this Committee and the organization of its initial meetings.

### ***Performance Indicators for the Regional Investment Centers***

Proposed performance indicators will be developed in the final quarter by the project team, with assistance and oversight from Washington-based Director Tanna Bruce and with the input of the RICs and the DCAE. As a reminder, the purpose of these indicators is to permit RIC Directors to better measure the activities of their RIC.

### ***Development of software applications***

The software application developed by ARGAZE for the management of investment projects and business creation is in the testing phase, with testing conducted in collaboration with the RICs of Rabat, Kénitra and Safi. In November, it will be available for all the RICs and the ARGAZE teams will travel to various regions to support and train the users.

The project organized a workshop in Rabat on September 29 for the information systems specialists of various RICs, along with representatives of the DI and the DCAE and DSI of the Ministry of Interior. The meeting enabled fruitful discussion and collaboration between these various parties. The discussion centered on automation of the procedures and cooperation between information specialists of different RICs.

The 30 participants present decided to establish a collaborative network aimed at supporting regular exchanges and synergizing resource use between and among the various investment promotion entities. The need for regular meetings echoed the sentiments expressed by officials at all staffing levels of the RICs throughout the project.

## **A.2 Creation of Public/Private Partnerships for Regional Economic Development**

### ***Training of Regional Decision-Makers***

This activity is essentially complete. However, one more master class will be organized for the benefit of decision makers in the Gharb Chrarda Beni Hssen region at the request of the region's RIC Director. The seminar will be led by Abdellatif Maazouz and Andrew Thorburn, our expert in investment, who will return to Morocco from November 13-19. The training will be the twelfth that the project has provided for regional decision makers.

### ***Web-based Newsletter***

This activity was terminated by decision of the Steering Committee.

### ***Semi-annual conference of RIC directors***

The final meeting of the RIC Directors is scheduled to take place November 16-17 in Rabat. The meeting will focus on the regional strategies for economic development and investment promotion.

### **A.3 Capacity-building for Investment Promotion**

#### ***RIC Web sites***

The project completed work on the development of the Web site for the Mekkès RIC last spring, and from this we developed a generic Web site template. In all, eight RICs have begun work on the contents of the sites, which will be put on line as soon as possible. All the RICs face the same problem: the information required by investors and necessary for the Web sites to meet international norms and expectations is not always available to the RIC. Obtaining this information requires navigation of a lengthy process through the various regional administrations and other regional and national level bureaucracies. The support of the RIC Director himself is needed for many of the related requests to be granted, and even then it is often necessary for the Director to have access to the regional Wali for higher-level interventions.

In order to help these RICs and to accelerate the creation of content for their Web sites, we have secured the services of Hadia Slaoui, a professional writer based in Casablanca, Joanne Bélanger, an expert in communications and marketing, and Jean-Michel Mas. These three people will support the efforts of the RICs to supply the missing information and will write the content for the Web sites.

#### ***Management training for the RICs and DI***

The project will organize a final workshop on November 16-17 in Rabat to coincide with the last project-sponsored meeting of the RIC directors. The objective of this seminar will be to present a "Tool Kit" developed and used for the work undertaken with the Settati, Marrakesh, and Casablanca RICs on the development of regional strategies for investment promotion. The activities carried out and the results achieved will be disseminated to all RICs and the DI. Abdellatif Mazouz, Andrew Thorburn, and Sami Baghdadi will lead the training.

#### ***Regional economic development strategies***

Work on the development of regional economic strategies is nearly complete. As explained in previous reports, this work made it possible to consolidate the systems for economic data collection and processing in three regions and on the national level. The informational analysis was conducted in three regions: Casablanca, Settati, and Marrakesh. The Casablanca Chaouya Ourdigha region developed a strategic vision and an action plan in spite of the recent departure of the RIC Director. The Marrakesh Tesift Elhaouz region must establish its own strategic action plan during the month of October. For Marrakesh, the principal objective was to identify priority sectors for diversification of economic activity and to define a strategy for investment promotion in these sectors. The identification phase was carried out with the support of the Inno Group, a French consulting firm, which was selected

by the RIC to work with us.

By way of developing an investment promotion model for these three regions and all the others, we are developing investment promotion strategies for two sectors in the Casablanca Chaouya "Mega Region"; the automobile components industry and the Business Process Outsourcing (BPO) services sector. We hired two sectoral specialists to assist with the strategies: Albert Suissa for the auto components sector and Sami Baghdadi for the BPO sector. Their work will be completed by early November.

In spite of the difficulties caused by delayed responses on the part of several Walis and RIC Directors, the project is on track to achieve the objectives of this component, and several regions not involved in the initial process have begun taking similar steps on their own. These are the regions of Tadla Azilal, Meknès Tafilalet, and Tangier Tétouan.

## **B. Assistance to the Department of Investments**

### **B.1 Strengthening the DI's management and information systems**

Although the design for the national investors' gate was finished in 2004, the site is still not online. Several launch dates have been proposed by the Department of Investments, of which the most recent was in September 2005. To ensure the reliability of the information contained on this site, the DI convened a national committee of investor information made up of various providers or users of such information. Even with the groundwork we had laid and six months of meetings of this committee, along with several project-sponsored seminars with the DI and various organizational partners, the information collected remains insufficient. Thus, the DI's launch of the gate site still has not happened, because the contents were not written as agreed. The contract funds that we reserved for the translation of the site contents into English will likely be reallocated to another activity.

## **C. Management and Administration of the Project**

The project did not experience any staffing changes this quarter.

## **CONCLUSION**

More deliverables will be completed during the final quarter of activities than any previous quarter. Yet continued support of the RICs and the DI, as well as the two Ministries concerned, is more essential than ever, not only in the context of completing the work we have begun but also in ensuring the sustainability of project results.

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## **G. Uganda Strengthening the Competitiveness of Private Enterprise (SCOPE), TO#828**

*Start Date: December 18, 2003*  
*End Date: December 31, 2006*  
*Amount of Delivery Order: \$5,922,598*

## EXECUTIVE SUMMARY

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The SCOPE, Strengthening the Competitiveness of Private Enterprise activity, is a three-year project financed under a SEGIR GBTI Task Order. SCOPE's first annual report covered the nine-month period from January through September 2004. This second annual report is for the full 12-month period from October 2004 through September 2005. It also incorporates SCOPE's second monitoring report, carried out against indicators agreed to between the Chemonics SCOPE team and USAID as part of the contract for SCOPE implementation.

In the first nine months of implementation, as chronicled in the first annual report, SCOPE set the stage for project implementation by developing various tools for monitoring and reporting on progress, by establishing working arrangements with key partners in the private and public sectors and in the media, by assessing the competitiveness prospects for target sub sectors, and by working with private sector leaders to begin development of competitive sub sector growth strategies. In the second year of implementation, SCOPE facilitated concretization of competitive business development strategies, dealt with major changes in its partner organizations, fine-tuned use of competitiveness thinking to guide strategy development, expanded outreach to the public sector, and developed new insights into constraints to Uganda competitiveness. From presentation of the year's highlights to discussion of lessons learned, the SCOPE year-in-review is presented in this document.

Section I sets the stage for the report by providing a general introduction to SCOPE activity and its relationship to USAID/Uganda's Strategic Objective 7 as well as its Results Framework as amended for Year 2 activity.

Section II provides an update on SCOPE's technical approach to implementation of competitiveness initiatives, focusing on the introduction and use of competitive diamonds to guide strategy development and competitiveness plan design. This section provides an overview of Uganda's progress toward increasing competitiveness, both from country and from target sub sector perspective. Lessons learned to date by SCOPE as a result of Year I and Year 2 activity are also presented.

Section III documents progress made by SCOPE in each of the project's components and Key Result Areas (KRAs) against Year 2 benchmarks. Success stories where applicable are also presented. SCOPE met most of its benchmark targets. Where benchmarks were not fully achieved, explanations are provided.

Section IV summarizes progress against Life of Activity Indicators. Annexes to the report are provided to amplify various aspects of SCOPE operation and performance.

## SCOPE SECOND YEAR HIGHLIGHTS

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- **Branding.** With technical and financial support from SCOPE, over 350 school children from 23 secondary schools in four regions (Northern, Eastern, Western and Central) participated in developing a new national brand for Uganda. Results of this exercise were submitted to the SCOPE-established advertising cluster and a competitive process which resulted in creation of Uganda's new logo and tagline (**Uganda: Gifted by Nature**).
- **Competitive Diamonds.** In the second year, competitive diamonds were developed for each target sub sector and these provided key input to development of private sector-driven competitiveness strategies. They also supported SCOPE ability to articulate the challenges of competitiveness to private and public sector audiences.
- **Commodity Competitiveness Strategies.** Strategies for commodity sub sectors other than floriculture (whose business plan was launched at the end of Year 1) were designed to address the lack of efficiency and productivity within supply to market chains which served to hamper competitiveness. Strategies developed for cotton, coffee, and fisheries during the year are the subject of further discussion with both private and public sector players.
- **POPP Model.** This model for a Partnership for Oilseed Production and Processing, developed in cooperation with Mukwano Industries, was designed to result in a competitive future in oilseeds production and export, decentralized oilseeds processing based on biomass, and sustainable, farmer-owned and driven production systems which will support participation of thousands of farmers as the model is perfected in the east and expanded into the northern areas of the country.
- **Industry Alliances.** To address the problems of effective private sector coordination, SCOPE introduced the concept of industry alliances to its working groups in grains, fisheries, coffee and tourism. The new alliances will directly address the fact that Uganda's sub sector associations are currently fragmented along the value chain and lack effective mechanisms through which to organize for competitiveness, develop industry-wide platforms, and advocate for needed resources.
- **Competitiveness Awareness Survey.** SCOPE carried out a Competitiveness Awareness Survey in conjunction with sub contractor, On the Frontier Group, a Michael Porter subsidiary. The survey, which was carried out in various regions of Uganda with both public and private sector actors underlined the fact that most Ugandans do not understand what determines competitiveness and underscored the depth of mindset change needed to bring competitiveness thinking to the forefront as a driver for the national economy. Survey findings bolstered SCOPE ability to communicate critical issues to target public and private sector audiences.
- **Partner Organization Changes.** Both of SCOPE's key institutional partners, as introduced in the first annual report – MTCS from the public sector and PSFU from the private sector – experienced major changes that caused SCOPE to refocus its activities and its partnership strategies. This refocusing has led to revised Year 3 strategies designed to drive a private-public dialogue leading toward formation of a unified institutional framework for national competitiveness.
- **Trade Agreements Study.** Uganda is signatory to five trade agreements – WTO, EAC, COMESA, EU-ACP, and AGOA. While the cry for "trade not aid" is heard with increasing

frequency, the overarching constraints to increased exports in the sub sectors focused upon by SCOPE are production-sided rather than market-sided. As part of its efforts to demystify trade agreements and begin to look for expanded opportunities for exports in its key sub sectors, SCOPE carried out a study to look at current agreements and to benchmark Uganda's current performance under each. The study pinpointed the areas where Uganda has to take action in order to maximize its ability to benefit from its participation.

- **Communications Activities.** The media cluster emerged as a major highlight of the year, with SCOPE able to facilitate the ability of its emerging clusters to get access to media coverage on issues related to such things as VAT, duty drawback, incentives, etc. There was a noticeable increase in coverage and understanding of competitiveness during the year. The newsletter and website functioned effectively as tools for communicating competitiveness-related issues to a wider audience, with many kudos coming into SCOPE re the newsletter.
- **Youth Awareness.** The first Uganda Competitiveness Club (UCC), initiated at Uganda Martyrs University, Nkozi, restarted itself for the second year – this time charging a membership fee and making plans to implement domestic marketing campaigns on behalf of Ugandan products.
- **Indicators of Competitiveness.** SCOPE facilitated MTCS and MISR to carry out country-wide implementation of the Executive Opinion Survey, the instrument which is at the heart of preparation of the Global Competitiveness Index and Uganda's ranking within the Global Competitiveness Report. Prior to SCOPE intervention, business leaders interviewed for the survey did not reflect the productive sectors of the economy and the respondents were mostly in the Central region. SCOPE support was aimed at assisting the MTCS to carry out a survey that the country would be able to use as a benchmark for design of subsequent activities and for monitoring of country performance.
- **Impact on National Thinking.** SCOPE has been able to begin to facilitate a larger competitiveness dialogue targeted to have impact on national thinking re competitiveness. Work was begun toward establishment of a Parliamentary Committee on Competitiveness. Contributions were made to the redrafting of the Medium Term Competitiveness Strategy (until the Secretariat went into hiatus from May to October). Presentations were made to the Private Sector Donor Group and the PMA Donor Group re the use of competitiveness approaches to develop frameworks for extension of donor support. Through its participation in the Presidential Investors Roundtable (PIRT), SCOPE was able to make key input to the agricultural committee of that body.

### SCOPE OVERVIEW

#### A. Introduction

Strengthening the Competitiveness of Private Enterprise (SCOPE) seeks to expand the competitiveness of targeted sub sectors by promoting private sector-driven market initiatives, increasing institutional capacity for competitiveness, structuring a results-oriented, sustainable private-public competitiveness dialogue, and supporting development of an enabling environment for broad-based economic growth through expanded trade. SCOPE facilitates the transformation of sub sectors into competitive national industries through formation of clusters which work to improve competitiveness in international, regional, and domestic markets. Through competitive and sustainable marketplace positioning, Uganda seeks to increase volumes and values of exports, expand market share for selected products, and improve Uganda's overall trade positions. SCOPE works in seven agricultural sub sectors -- coffee, cotton, dairy, fish, floriculture, maize and Oil seeds -- as well as the tourism sector.

#### B. SCOPE Activity and USAID's Strategic Objective 7

SCOPE is an activity within USAID's Strategic Objective 7 (SO7) portfolio and its efforts support achievement of results which contribute to "Expanded Sustainable Economic Opportunity for Rural Sector Growth." Other activities within the SO7 portfolio (RuralSPEED, APEP, PRIME/West, Land o' Lakes) carry out complementary efforts. SCOPE looks for opportunities to maximize complementarities among all SO7 initiatives as these are crucial for the development of an overall perspective and direction for expanded sub sector growth and competitiveness.

SCOPE activities support the Government of Uganda's poverty eradication goals as set forth in the Poverty Eradication Action Plan (PEAP), which makes a direct linkage between increased volumes and values (for export and domestic consumption) and the reduction of poverty. SCOPE activities respond to the objectives of the Medium Term Competitiveness Strategy (MTCS), the document which operates as the implementing arm for the PEAP and guides Uganda's competitive growth initiatives.

SCOPE's target areas are directly in line with the GOU Strategic Export Program (SEP), and they provide a livelihood for an estimated 12 million Ugandans, the majority of whom live at subsistence levels in rural areas. Despite the fact that its share of GDP has continued to drop over the past five years, agriculture remains the major source of livelihood for 70% of Uganda's population, and increased agricultural output and productivity are needed to generate improved farm revenues that will lead to job (on farm and off farm) and enterprise creation. Enterprise expansion will then translate into increased government revenue, and, hopefully, into improved government ability to extend/provide social services. SCOPE addresses this cause and effect chain, which must be in place to move rural populations above the poverty line, within the context of the business plans put together to guide sub sector economic expansion.

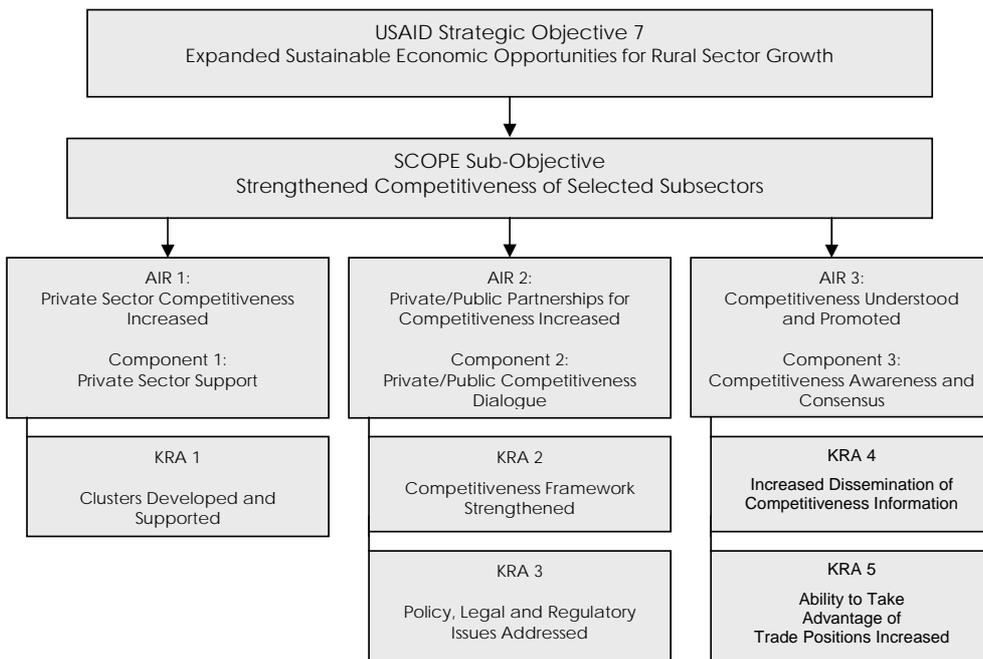
### C. SCOPE Results Framework

SCOPE contributes to USAID Strategic Objective 7 through the SCOPE sub-objective, “Strengthened Competitiveness of Selected Sub Sectors.” To achieve this sub objective, SCOPE works through three components:

- Private Sector Competitiveness Increased
- Private/Public Partnerships for Competitiveness Increased
- Competitiveness Understood and Promoted

The Results Framework, which is presented as Exhibit 1 below provides a visual overview of the SCOPE approach to implementation. SCOPE’s Results Framework was amended for Year 2 activity and as part of the amendment the technical activity number of KRAs reduced from 9 to 5. The components however remained the same.

**Exhibit 1: SCOPE Results Framework**



## SCOPE APPROACH TO UGANDAN COMPETITIVENESS

**A. Introduction**

In its first year, SCOPE introduced tools for charting progress toward competitiveness such as the Stages to Competitiveness Chart, designed to guide and monitor sub sector and institutional performance. Other tools, such as the Steps to Business Planning and Cluster Development and the Business Value Chain and Support Framework, were introduced to show the steps needed for developing competitive business plans and for understanding business value chains respectively. In Year 2, SCOPE introduced use of competitiveness diamonds to support identification of critical gaps to competitiveness and definition of appropriate response strategies. Diamond analysis was used to define the specific challenges faced by each sub sector and to provide the basis for development of competitive business strategies by the private sector. SCOPE then compiled the sub sector diamonds into a Uganda Competitive Diamond designed to present a composite picture of the challenges to Uganda's competitiveness. This section provides an overview of Year 2 progress viewed both in terms of the stages to competitiveness and efforts to address constraints defined by Uganda's Competitive Diamond.

**B. Progress through the 5 Stages of Competitiveness**

**Sub Sector Progress:** In Year 1, SCOPE defined five stages through which sub sectors would have to pass on the way to building a more competitive future. Exhibit 2 below shows the progress made in each sub sector. By the end of Year 2, all eight SCOPE target areas had completed Stage 1; five of these had moved solidly into Stage 2. Floriculture continued to lead the way for the other sub sectors by moving into Stage 3.

During Year 2, SCOPE found that development and articulation of an appropriate business strategy, which is part of Stage 2, is a lengthy process when working with a complete sub sector. At the same time, SCOPE found that the process of obtaining agreement on the Stage 2 plan and its strategies leads the sub sector forward quite naturally into Stage 3. Work continued with the maize, dairy, and oilseeds sub sectors, but it was determined that, because of time and resource limitations, strategies and approaches for these sub sectors would emerge through special activities, such as the POPP model for oilseeds, rather than through the process outlined in the chart.

**Exhibit 2: Sub Sector Transformation: Cumulative Progress and LOA Target**

Subsector/ Sector	Stage 1 Subsector Positions defined	Stage 2 Business Plans developed	Stage 3 Cluster Action Plans developed	Stage 4 Cluster Action Plans Implemented	Stage 5 <i>Clusters sustained</i>
Floriculture	Year I	Year I	Year II	Year III	
Fish	Year I	Year II	Year III		
Coffee	Year I	Year II	Year III		
Cotton	Year I	Year II	Year III		
Tourism	Year II	Year II	Year III		
Maize	Year I				
Dairy	Year I				
Oil Seeds	Year II				

**Institutional Framework Progress:** SCOPE outlined a five-stage process designed to lead to a strengthened institutional framework for competitiveness. Both of SCOPE's two primary implementation partners, the MTCS secretariat on the public sector side and the PSFU on the private sector side,

experienced organization changes that hampered their ability to implement and SCOPE's ability to liaise effectively with them. Even as SCOPE continued to work with both, it began to forge new approaches to building a strong institutional framework for competitiveness.

Overall progress with both the MTCS and the PSFU, as well as with targeted sub sector associations, was completed through Stage 2. Elements of Stages 3 and 4, as shown in Exhibit 3 below, also were put into play. In Year 3, SCOPE will build on the framework strategy developed in Stage 2, to escalate dialogue toward a more sustainable national competitiveness framework.

**Exhibit 3: Institutional Framework: Cumulative Progress**

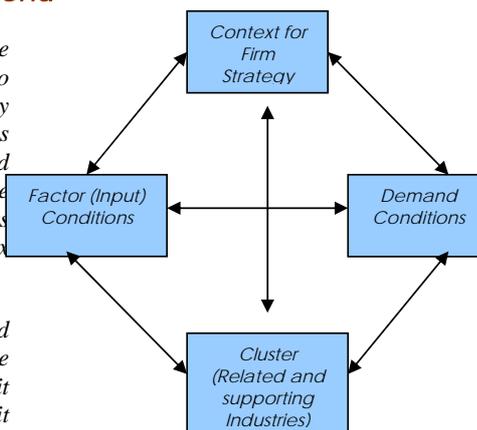
Stage	Progress
<b>Stage 1</b> Framework Assessed	<ul style="list-style-type: none"> <li>• MTCS, PSFU profiled, roles and capacities reviewed</li> <li>• MTCS programs reviewed</li> <li>• Sub sector associations assessed</li> </ul>
<b>Stage 2</b> Framework Strategy Developed	<ul style="list-style-type: none"> <li>• Sub sector associations supported and roles defined in some sub sectors e.g. coffee</li> <li>• Policy Legal and Regulatory (PLR) issues identified</li> <li>• Competitiveness framework developed to focus on productive sectors</li> <li>• MTCS strategy reviewed</li> </ul>
<b>Stage 3</b> Capacities Expanded	<ul style="list-style-type: none"> <li>• MTCS capacity to analyze and report on competitiveness increased.</li> </ul>
<b>Stage 4</b> Framework Strengthened	<ul style="list-style-type: none"> <li>• Branding developed and supported</li> <li>• Focal point for competitiveness established</li> <li>• Partnerships developed</li> </ul>
<b>Stage 5</b> Framework Sustained	

### C. Uganda's Competitiveness Diamond

Originally developed by Michael Porter, the competitiveness diamond is a tool that can be used to illustrate country, sector, sub sector and/or industry strengths and weaknesses from a competitiveness perspective. During the year, SCOPE developed competitiveness diamonds to illustrate the baseline situations (2004/5) and the end of activity targets (2006) for each of SCOPE's target areas (see Annex E).

The diamond's four quadrants are interlinked and appropriate interaction needs to take place among the quadrants in order to achieve competitiveness. Exhibit 4 provides a description of the quadrants while Exhibit 5 on page 7 summarizes SCOPE's Year 2 progress toward addressing constraints to Uganda's competitiveness.

**Exhibit 4: Brief on Competitiveness Diamond Quadrants**



#### Strategy Quadrant

Conditions in the strategy quadrant which affect the ability to compete include: the existing nature of rivalry and competition within industry, sub sector, or country; the potential of the industry or sub sector to contribute to national objectives and GDP; the levels of corporate sophistication and technology in play within the country; the availability of private rather than public sector-driven competitiveness strategies and plans; the presence of trade agreements and degree of trade liberalization; the existence of appropriate policies for trade, investment, financing, etc.

#### Factor (Inputs) Quadrant

The factor quadrant incorporates all physical, human, knowledge and financial resources that must be in place to support ability to operate competitively in target marketplaces. This means that such factors must be available in the right quantities and qualities, and at the right price. Factors related to the availability of appropriate physical infrastructure, as well as information technology, are also included in this quadrant.

#### Demand Quadrant

The demand quadrant encompasses conditions related to market size and structure; demand trends; levels of buyer sophistication; regulatory standards; barriers to market entry; and degree of product differentiation to support brand identification. The type and nature of demand define the ways in which an industry, sub sector, or country must organize and deploy its factor inputs (see factor quadrant) in order to package appropriate strategies for competition.

#### Cluster (Related and Supporting Industries and Entities) Quadrant

The cluster includes entities, both public and private, which have roles to play in ensuring the country's ability to move its competitiveness strategies forward. In addition to businesses operating in the value chain, the cluster includes supplier industries, financial institutions, research extension and training organizations, government regulatory agencies, etc. To move forward competitively, an industry must have all of these support entities lined up to play appropriate roles. In many cases, these roles are the ones needed to address negative factor and demand conditions.

### D. Lessons learned

- **National Commitment.** Competitiveness needs national commitment to competitiveness principles to drive national debate, for example, with regard to allocation of national resources. Uganda's national commitment is not fully in place. For example, Uganda's current approach to budgeting is carried out in isolation from competitiveness imperatives, a fact which greatly constrains the country's ability to move more strongly from aid into trade.
- **Challenges to Private Sector Growth.** Major challenges to private sector growth are systemic and derive from the fact that although Uganda operates within a liberalized economy, the mindsets of its institutions are not yet liberalized. The thinking behind policies and programs is driven by the same individuals and thought processes responsible for former policies and programs. For example, a major challenge to private sector growth is the fact that current approaches to public sector regulation of the private sector effectively strangle the ability of the private sector to develop strong associations capable of self regulation.
- **Impact of Politics.** There is no way around politics in Uganda, particularly in an election year. Even when a project remains firmly focused on its own objectives, politics will find a way to play a role; for example, the fact that the branding campaign is being launched close to the election year lends itself to political overtones. Likewise membership in the SCOPE-facilitated Parliamentary Committee on Competitiveness will be subject to change based on election results. In this situation, SCOPE best efforts must be focused on development of specific entities, organizations, models, etc. that will stand regardless of personalities and changes in positions.
- **Private Sector Fragmentation.** Those private sector associations which do exist are formed to represent specific interests within the value chain. Achievement of competitiveness demands implementation of cross value chain approaches. SCOPE has responded by supporting the design of industry alliances.
- **Divergent Private Sector Interests.** In certain sub sectors, for example, coffee and cotton, some of Uganda's major exporters, those linked to international companies, see their futures as being almost inextricably woven with the regulatory agencies with which they operate, and with which they interact directly to get pretty much what they want. They may pay lip service to an industry association but feel that it is easier to keep things the way they are rather than worry about having a strong private sector support organization. Other companies recognize the need to have strong private sector associations to represent their interests. In this situation, putting forth a blueprint for a strong private

sector association, for example in the form of an Industry Development Support Program, is perhaps the best way to spur the kind of debate and dialogue which is necessary to rekindle private sector interest in sub sector association activities.

- **Effective Reporting on Progress.** In Year 2, as part of its mid-contract internal review process, SCOPE determined that reporting on progress through the Stages of Competitiveness would tell how far sub sectors had progressed in terms of process, but would not yield insights into what was actually constraining competitiveness or successfully addressing constraints. This was the genesis of SCOPE's movement into diamond analysis and reporting, which provided a mechanism for identifying and targeting the specific constraints that inhibit achievement of competitiveness.
- **Building Partnerships.** Dealing with challenges associated with building private-public partnerships to drive business competitiveness plans has led SCOPE to undertake a number of activities that were not envisaged at the beginning of the activity. In fact, the ability to foster effective private-public partnerships and dialogue is dependent upon having mechanisms for meaningful private-private and public-public partnerships operating within a comprehensive competitiveness framework. Uganda's lack of such partnerships, for example, strong industry associations (private-private partnerships) and inter-ministerial committees (to bring public sector institutions together) has necessitated that SCOPE adjust its work plan to support building of all types of required partnerships.

**Exhibit 5: Uganda's Competitive Diamond: Critical Gaps and Summary of Progress**

Quadrant	Progress
Strategy	<p><i>Across the board, the most immediate and critical gap in the strategy quadrant was seen to be lack of integrated, coordinated sub sector plans which would address the constraints and gaps identified in other quadrants. SCOPE took action to:</i></p> <ol style="list-style-type: none"> <li><i>1. Put business strategies and plans into place to provide competitiveness context for floriculture, coffee, cotton, fish and tourism</i></li> <li><i>2. Draft cross sector and sub sector specific (floriculture) investment package</i></li> <li><i>3. Hold continued discussions with Ministry of Finance Planning and Economic Development re the need for and characteristics of a revised investment package</i></li> </ol>
Factor	<p><i>Development of competitiveness strategies requires addressing constraints caused by, i.e., high transport costs, lack of production volumes and quality, lack of access to technical skills, and other factors which inhibit supply-side response to market demand. SCOPE has addressed the factor quadrant in the following ways:</i></p> <ol style="list-style-type: none"> <li><i>1. Developed concepts and models for organizing sustainable production units within fisheries, coffee, cotton, and oilseeds designed to result in efficient value chains linked directly to buyers/exporters/processors.</i></li> <li><i>2. Worked with financial institutions to reality test the viability of above models to serve as points for financial intermediation.</i></li> <li><i>3. Facilitated ongoing efforts of USAID, the PU, UFEA and CAA to facilitate transfer of the cold storage facility at the airport to Fresh Handling Ltd.</i></li> <li><i>4. Worked with tourism industry representatives to identify and clarify issues that make Uganda an expensive tourist destination.</i></li> </ol>
Demand	<p><i>While Uganda's current exports do not face demand constraints, Uganda lacks access to the information needed upon which to develop competitive value-added strategies. Uganda also lacks effective domestic demand-development strategies. Finally, Uganda has yet to develop approaches to brand differentiation and quality standards needed to backstop moves toward competitiveness. SCOPE's Year 2 efforts have included:</i></p> <ol style="list-style-type: none"> <li><i>1. Retrieval and assessment of market information to backstop strategy development</i></li> <li><i>2. Contribution to development of Uganda's brand name and logo and on logos in the fisheries and flowers sub sectors</i></li> <li><i>3. Use of SCOPE communications activities to raise levels of demand and awareness</i></li> </ol>
Cluster	<p><i>SCOPE's assessments show that Uganda's cluster quadrant -- where public and private sector roles are confused, private and public sector institutions are weak, and systems for cross-value chain interaction and coordination are lacking -- contains the most significant gaps from a competitiveness perspective. SCOPE Year 2 efforts to address cluster quadrant gaps included:</i></p> <ol style="list-style-type: none"> <li><i>1. Developed Industry Development Support Programs (IDSPs) for sub sector associations in floriculture and coffee designed to support their ability to generate revenues and provide more relevant services to membership.</i></li> <li><i>2. Initiated discussions with PMA as champion for public sector-wide approach to commodity sub sectors and private public dialogue within the context of competitiveness plans</i></li> <li><i>3. Developed the industry alliance concept in coffee, fisheries, grains and tourism to facilitate ability of private sector actors to work across the value chain to design competitive systems and effective industry platforms</i></li> <li><i>4. Remained instrumental in assisting sub sectors to resolve their issues with the public sector, particularly with regard to interaction with the URA with regard to VAT and Duty Drawback.</i></li> <li><i>5. Clarified roles for public and private sector actors within the context of competitiveness plans and strategies as basis for moving forward to define needed private-public partnerships.</i></li> </ol>

## SECTION III

### ACTIVITY INTERMEDIATE RESULTS: YEAR 2 PROGRESS

SCOPE's Results Framework defines 3 Activity Intermediate Results (AIRs). Each AIR has its respective Key Result Areas (KRAs), and these in turn have specific benchmarks. This section presents progress made by SCOPE in implementing the benchmarks as presented in the 2005 work plan.

#### A. AIR 1: Private Sector Competitiveness Increased

Under AIR 1, SCOPE provides oversight and control of the flow of hands-on technical support to SCOPE target sub sectors. Private sector working groups identify and set business targets and develop plans for achieving those targets. Clusters are expanded to include the range of private and public sector actors and partnerships needed to drive plans forward. AIR 1 has one KRA; progress made under KRA 1 benchmarks is summarized below.

#### Key Result Area 1: Clusters developed and supported

##### Benchmark 1.1: 6 Business Plans developed by 30<sup>th</sup> Sept 2005

###### Achieved: 5 developed (cumulative)

SCOPE completed and launched the floriculture business plan as part of Year 1 activity. In Year 2, business plans were developed for fisheries, cotton, coffee, and tourism. A sixth business strategy – for oilseeds – used a different methodology and so is not included as part of this total. In March/April, the decision was made by USAID and SCOPE that it would be best, given time and resource constraints, for SCOPE to concentrate on five high priority areas: coffee, cotton, fisheries, floriculture, and tourism. Business plan approaches were in place for all of these by the end of September.

##### Benchmark 1.2: 6 Cluster Plans developed by 30<sup>th</sup> Sept 2005

###### Achieved: 1 Cluster Action Plan Developed

Cluster action plans refer to plans put into place to set targets and responsibility centers for supporting implementation of business competitiveness plans. While elements of a cluster action plan for the floriculture sub sector have been drafted and private sector action under the business plan has moved forward, there is still need for effective private-public partnership(s) to address investment, training, research and development requirements. The formation of clusters and their related action plans requires an effectively positioned public sector champion. Cessation of MTCS activities blocked SCOPE/MTCS efforts to move forward with defining MTCS roles with regard to cluster formation and support. In Year 3, SCOPE will move the business plans into cluster action plans by working through the PMA with regard to the commodity sub sectors and with the MTI for the tourism strategy.

##### Benchmark 1.3: Updated Monitoring System implemented by 12/30/04

###### Achieved: Updated Monitoring System in place

A monitoring system that captures progress in all LOA indicators is in place. For example, as shown in the box below, progress of the floriculture sub sector against its business plan is being monitored and reported upon. The excellent results being reported by the sub sector will be even greater if and when appropriate private-public partnerships are strengthened.

**Floriculture implements Business Competitiveness Plan  
and exceeds Targets**

Following the completion of the Floriculture Business Plan and its Launch in September 2004, flower growers under UFEA are much more focused towards achievement of the objectives articulated in the plan. Among the many achievements, the increase in the use of modern technology, defined in terms of the percentage of hectares under hydroponics, is worth special mention because of its positive impacts. Increased use of hydroponics leads to reduced use of chemicals which leads to less pollution and less contamination to the environment as well as increased productivity. The sub sector continues to register improvements in all key indicators as the table below indicates.

<b>Indicator</b>	<b>2004</b>	<b>2005</b>	<b>Increase</b>
Volume (MT)	6,484	7,500 Est.	16%
Value (US\$ million)	31.90	36.80 Est.	15%
Employment	5,779	6,238	8%
New Technology	26%	40%	14% absolute
Investment	US\$ 58M	US\$ 71M	22%

**Benchmark 1.4: US\$125,000 (cumulative Year 1 & 2) CIF funds committed in support of Cluster-defined Initiatives by 9/30/05**

**Achieved: US \$ 61,818 or 49% of the Target spent**

SCOPE has spent US \$ 61,818 or 49% of the cumulative target for Year 1 & 2. SCOPE's CIF has been used to cover expenses as shown in Exhibit 6 on the following page. Use of CIF resources will escalate in Year 3 as cluster initiatives move forward and CIF funds are increasingly used to support specific cluster-identified requirements.

**Exhibit 6: CIF Expenditure US \$**

Item	Year 1	Year 2	Total	Share of Total
Coffee Survey	36,603.64	-	36,603.64	59%
Newsletter	-	5,466.00	5,466.00	9%
Website development	4,082.56	-	4,082.56	7%
Branding Seminars	-	5,842.52	5,842.52	9%
Branding logo and & tagline	-	7,758.90	7,758.90	13%
UCC prizes for Essay competition	-	773.64	773.64	1%
Conference (Travel Costs A. Mwenda)	-	954.25	954.25	2%
Conference (Reg. fees C. Arinanye)	-	336.00	336.00	1%
<b>Total</b>	<b>40,686.20</b>	<b>21,131.31</b>	<b>61,817.51</b>	<b>100%</b>

**B. AIR2:Private/Public Partnerships for Competitiveness increased**

AIR 2 focuses on building an overall institutional framework to support the ability of both private and public sector actors to participate meaningfully in competitiveness dialogue. It supports building private-public partnerships at all levels to remove impediments to growth. While SCOPE began Year 2 by continuing its work with the MTCS secretariat and the PSFU (as entities positioned to carry on the competitiveness agenda after the end of the SCOPE project), both the MTCS and the PSFU grappled with institutional challenges that affected their ability to carry out their programs and work with SCOPE effectively. SCOPE continued to provide technical assistance to both as needed, for example, by serving as a member of the PSFU Policy Committee. SCOPE continued its work with sub sector associations as critical private-private partnerships and potential major providers of business support services and launched efforts to introduce selected parliamentarians to the importance of using competitiveness thinking to drive the budget framework process. Finally, SCOPE assisted business leaders and their support organizations to develop the capacity to carry out effective policy, legal and regulatory advocacy in support of cluster initiatives.

**KRA 2: Competitiveness Framework Strengthened**

**Benchmark 2.1: MTCS Indicators revised to better reflect the Global Competitiveness Index Context by 9/30/05**

**Indicator achieved**

SCOPE's work with the MTCS secretariat included provision of assistance with realignment of MTCS competitiveness indicators to reflect those already in use internationally. For example, although Uganda was already participating in the Global Competitiveness Report activity of the World Economic Forum, the MTCS was not organized to monitor and report on these indicators of competitiveness. SCOPE participated in the revision of the MTCS document, particularly with regard to increasing its focus on competitiveness and benchmarking to competitiveness indicators and brokered a partnership between Makerere Institute for Social Research (MISR) and the MTCS to put into place an improved survey process that would yield more reliable and accurate data against which to initiate improved benchmarking activities.

### **MTCS/MISR Partnership yields improved Input to Global Competitiveness Survey**

A key factor in determination of Uganda's ranking within the Global Competitiveness Index (GCI) is an Executive Opinion Survey which is carried out yearly in each participating country. This survey is carried out among business leaders operating in key sectors of a country's economy. Examination showed that earlier rankings for Uganda (2002/3 and 2003/4) were flawed processes; for example, interviewees were from the central region and did not represent, on a proportional basis, sector share of GDP. With support from SCOPE, MISR and MTCS developed a sample of firms representative of GDP and carried out survey activities in all regions of the country. The 2005 GCR arising out of this activity ranked Uganda as the 87<sup>th</sup>, a lower position than the previous year position which was 79. The 2005 position though lower provides a better baseline for MTCS efforts since it involved a better sample. MTCS will henceforth monitor and report on indicators of competitiveness.

### **Benchmark 2.2: 6 Sub Sector Industry Development Support Programs (IDSP) developed by 9/30/05**

#### **Achieved: 5 IDSPs developed**

Industry Development Support Programs are strategic plans with a twist. They focus on identifying organization growth strategies that build the ability of sub sector associations to function as successful – and sustainable – private-private partnerships. The IDSPs link the growth and revenue generation possibilities for sub sector associations to the work of building the marketplace competitiveness of the sub sector itself. During the year, SCOPE developed industry support strategies for 5 sub sector associations: UFEA (flowers); UCTF (coffee); UDPA (Dairy); AUTO (tour operators); HCAU (hotel and catering industry). SCOPE intends to place major focus on moving forward with these IDSPs and others (e.g. UFPEA (fish processors) and UGIA (Uganda Grain Industry Alliance) in Year 3.

### **KRA 3: Policy, Legal and Regulatory Issues addressed**

#### **Benchmark 3.1: 6 Private-Public Partnerships formed and in operation by 6/30/05**

#### **Achieved: 3 Partnership Areas identified**

SCOPE identified three partnerships as necessary to support implementation of the National Floriculture Business Competitiveness Plan. These were: finance and financial services, infrastructure support & investment, and training, research and development. In moving forward with these partnerships in Year 2, two things became apparent. The first was that the same partnerships would be needed to drive all SCOPE's target sub sectors; the second was that there was no workable public-public partnership in place to facilitate government ability to address competitiveness issues across ministerial and other public sector boundaries. Given this void, SCOPE adjusted its strategies to focus on developing public sector champions able to provide public sector support for the private-public partnerships that will be required to drive plans forward. SCOPE anticipates that this benchmark will be achieved and exceeded Year 3.

### Benchmark 3.2: 5 Issues Papers developed in support of Cluster Action Plans by 9/30/05

#### Achieved: 4 Issues Papers developed to highlight issues that hamper Competitiveness

SCOPE's place priority focus on working closely with private sector representatives from its target sub sectors to identify and address the policy, legal, and regulatory issues that most constrain their ability to compete. During Year 2, SCOPE worked with leaders in the coffee, floriculture, tourism, and fisheries sub sectors to identify and address PLR issues that raise the cost of doing business and otherwise inhibit the ability of the sub sector to compete. In addition to sub sector issues papers, SCOPE has identified and developed a matrix of cross-cutting issues that inhibit competitiveness and economic growth. These papers will be further developed, and others added in Year 3.

#### PLR Support: a Critical SCOPE Service

With the assistance of SCOPE, the private sector in the flower, coffee, and cotton sub sectors, successfully engaged with the URA on issues related to duty drawback, import duty, and VAT. SCOPE assisted Fresh Handling Ltd, the company running the cold store used by Uganda's horticulture and fisheries industries, to have its account released after it had been frozen (wrongly) by the URA for VAT arrears. With SCOPE support, Fresh Handling and UFEA prepared a position paper on the issue of charging VAT on handling services; SCOPE then facilitated meetings between the users of the cold store, URA officials from the tax policy department of the Ministry of Finance Planning and economic Development (MoFPED). SCOPE has begun efforts with tourism entities to clarify the PLR issues associated with the fact that tourism operates as an invisible export. In Year 3, these efforts will continue, with SCOPE focus on finding and putting into place mechanisms through which issues can be identified and addressed on a continuing basis.

### Benchmark 3.3: 6 Association Advocacy Programs developed in support of Cluster Activity

#### Achieved: 5 Association Advocacy Programs in Draft form

Effective representation of their business interests is one of the major reasons why companies join industry associations. For the most part, they realize that by working together and speaking with one voice, they are more likely to be heard and to be heard in ways that result in action. The challenge for most of Uganda's sub sector associations is the fact that they don't have the capacity to build and carry out effective advocacy programs. For most of Uganda's private sector associations, the structuring of effective advocacy activities requires access to expertise – and time – that is outside of the purview of voluntary leaders who are, of necessity, focused on running their own businesses. In Year 2, SCOPE addressed this situation in three ways. First, the core program within all SCOPE-facilitated IDSPs (flowers, coffee, dairy, and two tourism associations) is a policy and advocacy program which outlines specific approaches to formation of effective advocacy platforms. Second, the IDSPs outline institutional development programs which call for appointment of professional managers to drive the activities of sub sector associations within the framework of plans which will build capacity of sustainable operation. Third, for the tourism, fisheries, grains, and coffee sub sectors, SCOPE has introduced the concept of industry alliances, which will support the ability of the private sector to develop effective industry-wide advocacy platforms.

### C. AIR 3: Competitiveness understood and promoted

Communication is a critical factor in competitiveness and SCOPE targets a number of audiences, including the public sector, business, the general public, and the media. AIR 3 performance benchmarks and progress targets are given below. SCOPE activity also supports increasing Uganda's ability to take advantage of trade position through branding and development of a trade benchmarking report which will enable Ugandan investors to take advantage of the various trade agreements to which Uganda is a signatory. The progress of AIR 3 benchmarks is given below.

KRA 4: Awareness of Uganda's Competitiveness Potential increased

#### Benchmark 4.1: 2 Association Communications Programs underway by 9/30/05

##### Achieved: 3 Support Programs

As part of the communications strategy, SCOPE supported associations to carry out strategic assessments of their communications needs and provide technical support in the areas of design and implementation of communication programs, conduct of media relations, and preparation of newsletters, brochures, and newspaper supplements. Throughout the year, SCOPE effectively worked with UFEA, UFPEA and UCTF on these issues.

## CompeteUganda! Newsletter and Website appreciated by Target Audience

*The competeUganda!*, website and quarterly newsletters have been a major thrust in promoting competitiveness awareness.



By the close of the year, the competitiveness website [www.competeuganda.org](http://www.competeuganda.org) had registered 1,068 cumulative hits since January 2005

SCOPE published 4 editions of the newsletter during the year:

**1<sup>st</sup> Edition: Oct-Dec 2004**

Focused on competitiveness concepts, definitions and wealth creation vs poverty reduction.

**2<sup>nd</sup> Edition: Jan-Mar 2005**

Focused on issues of mindset change, and discussion of the competitiveness awareness survey findings, coffee

**3<sup>rd</sup> Edition: Apr-Jun 2005**

Covered issues on cotton, floriculture and the introduction of UCC

**4<sup>th</sup> Edition: Jul-Sep 2005**

Focused tourism, taxation and markets



**Benchmark 4.2: 10 Media Organizations regularly contributing to Competitiveness Dialogue as evidenced through Coverage Levels**

**Achieved: 4 Media Organizations**

In Year 2, SCOPE regularly engaged and used four media organizations, namely, KFM radio, Uganda Television, the New Vision, and the Monitor newspapers because these were the most influential in terms of competitiveness messages. SCOPE also received coverage and support from other participants in the media cluster, but on a less regular basis. Essentially, SCOPE determined that it would have more impact by working on a continual basis with these four major media organizations than it would have by trying to engage others. While it would have been possible for SCOPE to get 10 media organizations contributing to dialogue by paying for such coverage, SCOPE determined that it would be a better use of resources to concentrate on working with the media leaders to keep competitiveness issues “newsworthy” and important to cover – without having to pay for such. SCOPE will expand coverage in Year 3 by holding a series of media activities around particularly newsworthy, competitiveness-related topics.

**Benchmark 4.3: 2 Regional Dialogue Activities initiated by 9/30/05**

**Achieved: 4 Regional Dialogue Activities**

Regional competitiveness dialogue continued throughout 2005, beginning in the first quarter with OTF re Competitiveness Awareness survey in Central Region (Kampala), Western region (Mbarara) and Northern region (Lira). In April 2005 the dialogue was expanded to include the Eastern region (Mbale). The regional workshops were held to increase competitiveness awareness and discussion amongst rural-based stakeholders. The workshops focused on communicating the findings of the 2004 Competitiveness Awareness Survey, discussion of Uganda’s competitiveness context, globalization and the Global Competitiveness Report (GCR). In addition the Global Competitiveness Index (GCI) survey 2005 was administered to the participants in these regions.

**Benchmark 4.4: 2 University Competitiveness Programs under active implementation by 9/30/05**

**Achieved: 1 University Competitiveness Club launched**

In February 2005, a University Competitiveness Club (UCC) was launched in Uganda Martyrs University, Nkozi with 65 members. The Nkozi University students were introduced to competitiveness and engaged in competitiveness dialogue throughout the year. The students had familiarization tours of four enterprises that SCOPE works with, namely; Dairy Corporation Ltd in the dairy subsector, Intercontinental Fisheries and Green Fields fisheries in the fisheries subsector and Rosebud flower farm in the floriculture subsector. An essay competition was commissioned in May 2005. A second UCC will be underway during Year 3.

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\_A student of Nkozi University seeks further clarification on competitiveness at one of the competitiveness public lectures that took place at Nkozi University during the year.



John Engle, Managing Director, SCOPE gives the winner's prize to Frank Kyomuhendo who wrote the best essay on competitiveness in May 2005.

## KRA 5: Uganda's Ability to Take Advantage of Trade Positions increased

### Benchmark 5.1: 1 National Branding activity underway by 12/30/04

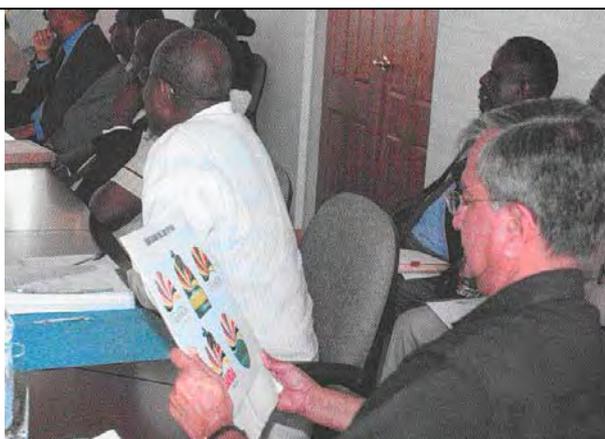
#### **Achieved: Uganda's National Brand Logo and Tagline developed**

SCOPE contributed greatly to Uganda's new brand's Uganda; Gifted By Nature in the following ways

- Engaging school children from over 23 schools in all regions in Uganda to obtain the brand values which were used as background information by the brand agency that developed the logo and tagline.
- Identifying, facilitating development of the tagline and logo, in cooperation with major international advertising agency
- Supporting Ministry of Foreign Affairs and Ministry of Tourism Trade and Industry (MTTI) in preparations for the brand launch on CNN
- Providing technical support for development of a brand management company



"What does Uganda smell/sound/taste/look like" SCOPE engages secondary school children to identify Uganda's brand values.



Hassan I Rizvi of Mukwano Industries studies the various logo concepts at one of the stakeholders' consultative meetings at the Ministry of Foreign Affairs to select Uganda's new logo.

**Benchmark 5.2: Uganda Trade Agreement Benchmarking Report prepared and distributed by 12/31/04**

**Achieved: Draft Report completed in May 2005**

The draft trade benchmarking report was completed by the subcontractor, International Law Institute (ILI) earlier in the year, but SCOPE felt that additional work was needed to prepare the material in a user-friendly manner. In addition, SCOPE had originally determined to launch the report through the MTCS as yet another way to highlight the importance of benchmarking Uganda to its performance under the trade agreements to which it is signatory. With the closure of the MTCS, SCOPE will publish and disseminate the report in November 2005. This will be part of a series of workshops that will be held with support from the sub contractor, International Business Institute (IBI), with key champion ministries (MAAIF and MTTI), the private sector and a selected group of parliamentarians to focus on the challenges facing Uganda with regard to taking advantages of its trade agreements and the benefits of using competitiveness thinking to address those challenges.

**Benchmark 5.3: 4 Subsector Trade Agreement Opportunity Profiles prepared and distributed by 9/30/05**

**Achieved: 4 Sub Sector Trade Agreement Opportunity Profiles Developed**

A key aspect of analysis carried out for the trade agreement report mentioned above was to look specifically for opportunities for Uganda to take advantage of its market access in critical sub sectors. Preliminary work has been done to look at opportunities in coffee, cotton, maize, and fish. As a result of a series of special workshops, these draft profiles will be expanded and published by the end of December 2005.

**Benchmark 5.4: 2 Commodity Branding Activities Identified and Supported by 9/30/05**

**Achieved: 1 Commodity Brand Developed and Supported**

SCOPE assisted in the development of Greenfields Fisheries Ltd. logo and tagline "**Kyoga Wild**". SCOPE has found that many private sector companies lack awareness of the importance and potential for branding. The launching of the national brand and the work being done by SCOPE under various Industry Development Support Programs, all of which call for implementation of quality, export standards and branding activities, will result in further commodity branding activities in Year 3.

**D. Program Management and Administration**

The SCOPE office administrative and management staff continued to work closely with the Chemonics home office Project Management Unit (PMU) to maintain systems for contract management and to provide adequate and timely support for all SCOPE activities. Specific activities included;

**Key Result Area 6: Operations Support Provided**

**Benchmark 6.1: Monthly invoices, LOE employed statements, and subcontractors LOE employed statements submitted to USAID by 20th of following month**

**Achieved:**

Monthly invoices, LOE employed statements, and subcontractors LOE employed statements submitted to USAID by 25th of following month.

**Benchmark 6.2: VAT Refund claims submitted to USAID in required format by 9/30/05**

**Achieved:**

VAT refund claims are in final stages of compilation and are yet to be submitted to USAID.

**Benchmark 6.3: Property report submitted to USAID by 9/30/05**

**Achieved:**

Property report submitted to USAID

## SECTION IV

### SCOPE LIFE OF ACTIVITY INDICATORS: YEAR 2 PROGRESS

As part of project implementation, SCOPE captures the progress made by the various SCOPE indicators at the goal, sub-objective and Intermediate Result (IR) levels towards strengthening private sector competitiveness. A deep analysis comparing the baseline information to achievements in 2005 is carried out in this part of the report.

#### A. Scope Life of Activity Indicators: Progress Summary

Table 4.1 gives a summary of SCOPE Life of Activity (LOA) indicators, the targets and the outcomes for 2004 and 2005. The subsequent sections cover the specifics of each indicator in greater detail.

**Table 4.1: Summary of SCOPE LOA Indicators: Targets & Progress**

Indicator	Indicator Name	LOA Target	Outcome Year I	Outcome Year 2	% of LOA Target achieved
3	Number of on- and off-farm jobs created	2,500	0	<b>1,147</b>	46%
4	Number of on- and off-farm enterprises created	50	0	<b>22</b>	44%
S1	Percent change in value of targeted commodities marketed	40%	31%	<b>43%</b>	107.5%
S2	Percent change in volume of targeted commodities marketed	30%	33%	<b>18%</b>	60%
1.1	Percent change in cluster share of targeted markets	50%	0%		
1.2	Percent change in gross cluster revenue	35%	0%	<b>42%</b>	120%
1.3	Percent change in investment in clusters	15%	0%	<b>9%</b>	60%
1.1.1	Number of cluster action plans developed	5	1	<b>0</b>	20%
1.1.2	Percent change in cluster membership	150%	56%	<b>328%</b>	219%
1.2.1	Number of cluster action plans implemented	1	0	<b>1</b>	100%
1.2.2	Percent change in business participation in clusters	150%	0%	<b>75%</b>	50%
2.1.1	Focal point for competitiveness established	Yes	Yes	<b>Yes</b>	100%
2.2.1	Number of key policy and regulatory constraints alleviated	15	3	<b>6</b>	60%
2.2.2	Number of key policy and regulatory constraints addressed	30	34	<b>34</b>	113%
3.1	Change in cluster business leaders rating of business environment	10%	0%		
3.2	Number of clusters formed outside SCOPE	4	0	<b>0</b>	0%
3.1.1	Number of Uganda brands in target markets	4	0	<b>2</b>	50%
3.1.2	Number of competitiveness communications	160	27	<b>58</b>	53%
3.2.1	Percent change in trade volume within selected agreements	10%	0%		

Note: \*All year 2 outcomes are still provisional and gaps indicate that data is not yet available.

## B. SO7 Goal Indicators

The goal indicators contribute directly to USAID's Strategic Objective 7 which relates to: "Expanded Sustainable Economic Opportunity for Rural Sector Growth" and SCOPE has 2 Goal indicators as indicated below.

Indicator 3: Number of On and Off-farm Jobs created

Jobs generate additional income for the rural communities; who achieve increased purchasing power and this increases their demand for locally produced goods and services which in turn increases the competitiveness of the sub sectors.

LOA Target	2005 Target	Achieved	Remarks
2,500	1,000	1,147	The new jobs amounted to 1,147 against a target of 1,000 for the year, a 114.7% performance. These new jobs were mainly from the fisheries and the floriculture subsectors. The fisheries subsector registered the largest number of new jobs. Table 4.2 shows a break down of jobs by subsector. In dairy one company closed due to low quality machinery while in grain a number of enterprises did not carry out business this year due to poor quality of the crop arising out of unexpected bad weather and hence there were no overall new jobs in these subsectors.

Table 4.2: New Jobs

Subsector	Baseline Jobs		New jobs to date*		Share to New Jobs
	Total	% Female	New jobs	% female	
Coffee	2,160	39%	4	40%	0.3%
Cotton	3,768	33%	48		4.2%
Floriculture	5,779	58%	504	59%	43.9%
Dairy	703	20%	-		
Fish	3,370	28%	553	30%	48.2%
Grain	659	40%	-		
Oil seeds	2,000		-		
Tourism	80,000				
Total	98,439	32%	1,147		

\*These figures do not indicate total employment in the entire subsector but rather in the clusters/private sector working groups that SCOPE is working with.

It is important to note that while the statistics indicate an overall increase in jobs in 2005, some individual enterprises reduced their employees as they became more efficient. One company in dairy for instance cut down its staff by half by changing the way they do things. While before they used to employ people to go to the villages to collect the milk, they currently buy milk from one supplier who owns a cooler. Competitiveness (productivity, efficiency and innovation) in this case did not imply more jobs for this particular enterprise.

#### Indicator 4: Number of On and Off-farm Enterprises created

This includes new, revitalized and restructured firms. New enterprises lead to increased demand for raw materials which are produced by the rural population and this therefore contributes directly to sustainable economic opportunity for rural sector growth.

LOA Target	Period Target	Achieved	Remarks
50	25	22	The fisheries subsector registered the largest number of new enterprises. (See Table 4.3 below) Increased enterprises in fisheries is good for rural growth since fishing is mostly a rural activity and hence increased enterprises lead to increased demand for raw materials which implies increased revenue for the rural communities.

**Table 4.3: New Enterprises**

Subsector	Baseline Enterprises	New enterprises	Total	% Share to new enterprises
Coffee	27			
Cotton	28	2		9%
Floriculture	18	2		9%
Dairy	29			
Fish	11	10		45%
Grain	21			
Oil seeds	62	1		5%
Tourism		7		32%
<b>Total</b>		<b>22*</b>		

Source: UIA, UFPEA, UFEA, UDPA, UGCEA.

\*Total still provisional. Data collection is still ongoing.

### C. Sub-objective Indicators

SCOPE activity seeks to expand competitiveness at the international, regional, and domestic levels. SCOPE works with the selected subsectors to increase the volumes and values of commodities marketed. SCOPE has two indicators that measure Uganda's competitiveness and these are analyzed below

#### Indicator S 1: Percent Change in Value of Targeted Commodities exported

The value of commodities marketed is a measure of a country's competitiveness as well as a major step towards increasing rural incomes. SCOPE's private sector working groups/clusters comprise mainly of exporters and hence the value marketed for most commodities refers to exports.

LOA Target	Period Target	Achieved	Remarks
40%	27%	43%	The value of commodities marketed (exported) in 2005 increased by 43% from the baseline. Increases were highest in coffee, cotton and fish. (Table 4.4 shows the raw data by subsector).

**Table 4.4: Value of Targeted Commodities Marketed (US \$ million)**

	Baseline	Value 2004	Value 2005*	Growth 2005 from baseline
Coffee	100.23	124.24	149.59	49%

Cotton	17.75	42.76	31.26	76%
Dairy	0.81	0.9	1.2	48%
Fish	87.48	103.31	123.39	41%
Floriculture	26.53	31.90	32.64	23%
Grain (maize & beans)	18.96	26.86	21.94	16%
Oil seeds	2.18	2.79	3.00	38%
Tourism*	N/A	N/A	N/A	
<b>Total SCOPE Subsectors</b>	<b>253.95</b>	<b>332.76</b>	<b>363.02</b>	
<b>Growth from Baseline</b>		<b>31%</b>	<b>43%</b>	
<b>Growth Target</b>		<b>13%</b>	<b>27%</b>	

Source: Uganda Export Promotions Board, Uganda Flower Exporters Association, Uganda Coffee Development Authority, Uganda Bureau of Statistics.

\*Provisional

## S 2: Percent Change in Volume of Targeted Commodities Marketed

The total volume of goods marketed signifies competitiveness. Given that SCOPE subsectors are agricultural based, these increased volumes imply increasing revenues (other things remaining constant) to the rural farmers who form the core of production and hence it is an important step towards increasing rural incomes.

LOA Target	Period Target	Achieved	Remarks
30%	20%	18%	Volumes marketed increased in all subsectors with highest increases in fisheries and cotton. Coffee and flowers registered low growth. Low growth in coffee is attributed to the coffee wilt disease and unfavorable weather.

**Table 4.5: Volume of Targeted Commodities Marketed (Tonnes)**

	Baseline	Volume 2004	Volume 2005*	Percent growth from baseline
Coffee	146,299	159,983	149,934	2%
Cotton	16,762	29,293	31,652	89%
Dairy	599	628	719	20%
Fish	26,301	31,808	35,604	35%
Floriculture	5,636	6,400	5,801	3%
Grain (maize & beans)	62,105	116,809	80,217	29%
Oil seeds	4,108	4,283	4,468	9%
Tourism	N/A	N/A	N/A	N/A
<b>Total SCOPE Subsectors</b>	<b>261,810</b>	<b>349,204</b>	<b>308,395</b>	<b>18%</b>
<b>Growth from Baseline</b>		<b>33%</b>	<b>18%</b>	
<b>Growth Target</b>		<b>10%</b>	<b>20%</b>	

\* Provisional

## D. AIR 1 Indicators

AIR 1 indicators relate to increased private sector competitiveness through SCOPE's efforts to facilitate business leaders to identify cluster opportunities, set market targets, define business strategies, expand the cluster to include supporting organizations and suppliers, prepare and implement actions.

### Indicator 1.1: Percent Change in Subsector Share of Targeted Markets

Market share growth is an indicator of a country's improved ability to compete. Increased market share results from volumes and values.

LOA Target	Period Target	Achieved	Remarks
50%			Up to date international trade data is not yet available.

**Table 4.6: Share of Uganda's Market Share in Targeted Markets**

	Baseline	Value of Uganda's Exports	Value of World Exports US \$	Uganda's Current Market Share
Coffee	1%	149.59		
Cotton	3%	31.26		
Dairy	0.003%	1.2		
Fish	1%	123.39		
Floriculture	0.3%	32.64		
Grain (maize)	0.3%	21.94		
Oil seeds	0.09%	3.00		
Tourism	N/A			

Notes: Baseline market share is based on International Trade Centre (ITC) Trade map data.

### Indicator 1.2: Percent Change in Gross Cluster Revenue

This is the change in gross receipts from the sales of products both on the domestic and international markets. For some part of the cluster the gross revenue is the same as their value of commodities marketed (exported). This is apparent mostly in Fisheries and Floriculture where exports account for 100% revenue. .

LOA Target	Period Target	Achieved	Remarks
40%	27%		Data collection is not yet complete. Table 4.7 shows gross revenue in SCOPE subsectors

Table 4.7: Gross Revenue

Subsector	Baseline USD million	Gross revenue 2004	Gross Revenue 2005	Percent 2005 over Baseline
Coffee	105.24	130.45	157.07	49%
Cotton	19.44	47.04	34.24	76%
Dairy	22.89	25.43	33.91	48%
Fish*	87.5	103.31	123.42	41%
Floriculture*	26.53	31.90	32.64	23%
Grains	34.93	49.48	40.42	16%
Oil seeds	N/A			
Tourism	N/A			
<b>Total</b>	<b>296.53</b>	<b>387.61</b>	<b>421.7</b>	<b>42%</b>
<b>Growth from baseline</b>		<b>31%</b>	<b>42%</b>	

\*Same as their export revenue since the cluster export nearly 100% of their production; the rest include domestic sales. Aquaculture is excluded for fish as the fish farmers do not keep accurate records.

## Indicator 1.3: Percent Change in Investment in Clusters

Investment is expected to grow as competitiveness and gross revenue increase. The subsector becomes more attractive to new investors and in addition, the existing enterprises themselves increase their level of investments to cope with increasing international and local demand.

LOA Target	Period Target	Achieved	Remarks
15%	10%	9%	A number of companies increased their investment. Floriculture registered the largest increase in investment of 22% from US \$ 58 million to US \$ 71 million. In dairy most additional investment was in the areas of trucks and coolers. Increases in grains were minimal.

Table 4.8: Investment (US D million)

Subsector	Baseline Investment (USD million)	Additional Investment to date	Total Investment to date (2005)*	% Change from Baseline
Coffee	4.0	0.56	4.56	14%
Cotton	57.0	4.54	61.54	8%
Dairy	5.5	0.25	5.75	5%
Floriculture	58.1	13	71.1	22%
Fish	51.0	8.68	59.68	17%
Maize	7.6	-	7.6	0%
Oil seed	120	-	120	0%
Tourism				
<b>Total</b>	<b>303.2</b>	<b>27.03</b>	<b>330.23</b>	
<b>Growth from Baseline</b>			<b>9%</b>	
<b>Growth Target</b>			<b>10%</b>	

Source: Enterprises

\*Provisional, gaps indicate data not yet available.

### Indicator 1.1.1: Number of Cluster Action Plans developed

The action plans in all SCOPE target areas define targets for attaining increased volumes and higher values of the target commodities and services, ways of accessing new markets, increasing investment, as well as creation of jobs.

LOA Target	Period Target	Achieved	Remarks
5	2	0	One action plan was developed for floriculture during Year 1. Action plans (stage 3) for fish, coffee, cotton and tourism will be under way in Year 3.

### Indicator 1.1.2: Percent Change in Cluster Membership

As clusters develop and mature they attract members and hence membership increases. Enterprises that offer support to the subsector as well as the relevant the public sector agencies get incorporated. SCOPE took June 2004 as the baseline for this indicator. The clusters have grown as indicated below

#### Cluster Membership

LOA Target	Period Target	Achieved	Remarks
100%	50%	328%	The number of cluster members has more than doubled from 84 members as of September 2004 to 231 in September 2005, as the clusters expand to incorporate more players along the value chain, supporting industries and the key public sector players. Major increases are noticeable in fisheries as the cluster expanded to include fish farmers (aquaculture). All the other subsectors registered major increases mainly by inclusion of support industries and public sector players. (See Table 4.9 below)

**Table 4.9: Cluster Members by Subsector**

	Members Jun 2004	Members Sep 2004	Members Sep 2005	% Female	Categories involved
Coffee	6	12	19	5%	Traders/Exporters/Farmers/public
Cotton	8	8	24	9%	Lead ginner/Farmers/public/banks
Dairy	10	18	22	14%	Dairy processors (various products)/Farmers
Fish	2	11	44	14%	Processors/Exporters/Aquaculture/public sector
Floriculture	18	18	44	7%	18 Growers/Exporters/input suppliers/public sector
Maize	6	13	33	3%	Traders/Millers/Exporters
Oil seeds	2	2	4	20%	UOSPA,/VODP/Oil seed manufacturer
Tourism	2	2	41	39%	Tour and travel, airlines rep, hotel
<b>Total</b>	<b>54</b>	<b>84</b>	<b>231</b>	<b>16%</b>	
Percent growth from baseline			328%		

### Indicator 1.2.1: Number of Action Plans implemented

An action plan forms the core of the business plan as it charts the way towards achieving competitiveness

goals.

LOA Target	Period Target	Achieved	Remarks
1	1	1	During Year 2, SCOPE together with the floriculture cluster made great headway in implementing the floriculture cluster action plan activities (Stage 4). Major successes were registered including creation of new jobs, increased use of hydroponics from 26% to 40%, among others.

#### Indicator 1.2.2: Percent Change in Business Participation in clusters

It is envisaged that as clusters become effective they attract business participation particularly from supporting businesses that provide services or value added.

LOA Target	Period Target	Achieved	Remarks
150%	100%	88%	The number of supporting businesses that provide services and value addition to the SCOPE subsectors increased from 16 in year 1 to 30 in Year 2. (See List below: new participants shaded) New additions in 2005 include fish feeds manufacturers, research and Training institutes as well as the advertising group.

#### List of participating Support Industries

<b>Packaging</b> <ol style="list-style-type: none"> <li>Mulbox</li> <li>Maaks packaging</li> <li>Packaging Products Uganda</li> <li>Reiley Industries</li> </ol>	<b>Input suppliers</b> <ol style="list-style-type: none"> <li>Uchumi Commodities</li> <li>Balton Uganda Limited</li> <li>Lipsun (Uganda) Limited</li> <li>Promaco (for cheese/dairy inputs)</li> <li>Greenhouse Ltd (for flowers)</li> <li><i>Ugachick (fish feeds)</i></li> <li><i>Mukwano (fish feeds)</i></li> <li><i>FICA seeds</i></li> </ol>
<b>Finance</b> <ol style="list-style-type: none"> <li>Standard Chartered Bank Ltd</li> <li>Stanbic Bank (U) Ltd</li> <li>Crane Bank (U) Ltd</li> <li>Centenary Rural Development Bank</li> <li>Barclays Bank Uganda Limited</li> </ol>	<b>Transportation</b> <ol style="list-style-type: none"> <li>Interfreight Uganda Limited</li> <li>Transami Uganda Ltd</li> </ol>
<b>Research and Training</b> <ol style="list-style-type: none"> <li>Makerere University</li> <li>Kawanda Research Institute</li> <li>National Agricultural Research Organisation (NARO)</li> <li>National Agriculture Advisory Services (NAADS)</li> </ol>	<b>Advertising</b> <ol style="list-style-type: none"> <li>QG Satchi &amp; Satchi</li> <li>Terp Group</li> <li>Moringa Ogilvy</li> <li>Lowe Scanad Uganda</li> <li>Camerapix</li> <li>ZK advertising Uganda Ltd.</li> <li>Red Sky</li> </ol>

#### E. AIR2 Indicators

Private/public partnerships are crucial to create a strengthened national framework for competitiveness. These are achieved through provisions of strategic and implementation support, private/public dialogue as well as addressing Policy, Legal and Regulatory (PLR) issues. Progress made in AIR 2 indicators is

presented below.

Indicator 2.1.1: Focal Point for Competitiveness established

This indicator defines a clearly established national focal point for competitiveness dialogue, consensus and action.

LOA Target	Period Target	Achieved	Remarks
Yes	Yes	Yes	SCOPE has been working closely with the Private Sector Foundation Uganda (PSFU), Medium Term Competitiveness Strategy (MTCS), National Planning Authority (NPA) Ministry of Tourism, Trade and Industry (MTTI) Ministry of Finance and Economic Development (MOFPED) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) as national bodies to provide the anchor for the various components of competitiveness activity both during and at the end of SCOPE activity.

Indicator 2.2.1: Number of Key Policy, Legal and Regulatory Constraints alleviated

SCOPE works towards identifying and alleviating constraints to competitiveness. This is intended to improve the policy, regulatory and business environment for competitiveness to flourish. The issues range from simple cases that relate to the administration procedures of the regulatory bodies to complex ones that relate to policy.

LOA Target	Period Target	Achieved	Remarks
15	8	6	During the year, SCOPE contributed to the alleviation of 6 issues as indicated in Table 4.10 below. SCOPE realizes that there is need for more dialogue and for a permanent process for the dialogue between the private sector and the relevant regulatory bodies. Some of the interventions are therefore not conclusive to stop further occurrence of the problem and hence there is need to put in place mechanisms for continued dialogue and resolving future issues. These mechanisms however take long to develop and depend to a great extent on the structure and willingness of the regulatory or policy formulation body to co-operate. SCOPE anticipates having this mechanism fully functional by the end of the project period.

Table 4.10: PLR Issues alleviated

	Subsector	Issue	SCOPE's input
1	All subsectors	VAT arrears and Duty Draw Back for the various players along the SCOPE subsector value chains	Through SCOPE's initiative, URA Customs agreed to have regular meetings with the different subsectors to resolve issues and consequently design a permanent solution. Fruitful meetings have so far been held with the coffee subsector through Uganda Coffee Traders Federation (UCTF). SCOPE has also continued to assist all the subsectors with their tax issues. Presently, SCOPE

	Subsector	Issue	SCOPE's input
			is working with UCTF on a position paper detailing the various tax and EACU related issues that affect the competitiveness of coffee exporters. (The paper is to be presented to key industry players)
2	Floriculture	FHL Barclays Bank account was frozen by URA on account of unpaid VAT arrears.	SCOPE arranged and facilitated meetings with URA, also attended by MOFPED-Tax Policy Department, UFEA and FHL over the frozen account. The issue was resolved and SCOPE continues to facilitate dialogue on this issue to get the Tax Policy Department of MoFPED to scrape VAT on cold storage and handling services at Entebbe airport (Position paper is available)
3	All subsectors	VAT on packaging	SCOPE raised the plight of taxes on packaging materials as a major hindrance to subsector competitiveness. This issue was raised to the Commissioner Tax Policy Department (CTPD) (MOFPED). The CTPD has since communicated that under the EACU, all materials used in the packaging of exports should be duty free. The challenge is to get this implemented across all sectors in the export market. SCOPE will work with the public sector to improve communication of EACU related information.
4	Floriculture	Cuttings for one grower were withheld at Entebbe airport	This was due to a change in policy regarding documentation that was not communicated. SCOPE resolved this issue by liaising with the Commissioner Tax Policy Department (MOFPED) and the URA Corporate Public Affairs division and the cuttings were released that same day.
5	Floriculture	Manufacturing Under Bond (MUB) facility	SCOPE assisted one grower who had applied for MUB facility and the application had stagnated in the system. SCOPE organized and facilitated dialogue on this matter through customs department and the issue was resolved.
6	Tourism	Poor quality of Uganda's Tourist Guide leading to poor marketing of the image of the country	At the request of the tourism working group, SCOPE intervened to mediate discussions on how to make the next year's publication better. A bad representation affects the competitiveness of the country.

Indicator 2.2.2: Number of Key Policy and Regulatory Issues addressed

LOA Target	Period Target	Achieved	Remarks
30	8	34	The list of issues addressed is attached (Annex D). The issues matrix was amended and expanded to include more issues in 2005. It is important to note that the process of addressing issues is quite long and most issues are not yet resolved. (issues when solved move to 2.2.1 above) New issues keep emerging during implementation and this list will therefore be updated continuously.

## F. AIR 3 Indicators

AIR 3 activities relate to increasing competitiveness awareness through increased dissemination of competitiveness information as well as increasing the ability of Ugandan business community to take advantage of trade positions. Indicators related to AIR 3 are analyzed below.

### 3.1. Change in Cluster Business Leaders rating of the Business Environment

This is a direct rating by business leaders of the micro environment in which they operate. It is envisaged that as the competitiveness framework is strengthened and as Uganda becomes more competitive, improvements in the business rating of the environment should be apparent.

During the year, SCOPE together with MISR and MTCS organized workshops in Kampala, Mbarara, Mbale and Lira to ensure balanced regional participation in the Global Competitiveness Index (GCI) survey that was used to rank Uganda in the Global Competitiveness Report (GCR) 2005. According to the Global Competitiveness Report (GCR) 2005, Uganda's position has declined from the 79<sup>th</sup> in 2004 to the 87<sup>th</sup> in 2005. This position though lower than the previous year, shows a true representation of how the whole of Uganda perceives the business environment. Earlier on the survey was unbalanced as it captured perceptions from the central region, which has a better business environment than the rest of Uganda. Business man from different regions perceive the environment differently because the environment differs across the regions and therefore the 2005 ranking provides a realistic baseline to measure Uganda's progress in future.

SCOPE administers a similar survey to establish how the business leaders that SCOPE works with perceive the environment. SCOPE works with these business leaders to improve the business environment and hence it is important to establish if they perceive the environment differently from the rest of Uganda. The CGI has three major components in the areas of Macro economic environment, public institutions and information technology.

LOA Target	Period Target	Achieved	Remarks
10%	8%		No major changes have been observed in the scores

### Constraints to Competitiveness 2004 vs 2005

Four out of the top five constraints to competitiveness in 2004 remained on the list for 2005, with few changes in the positioning. Access to finance still remains the number one impediment to competitiveness in both years. Corruption was replaced with foreign currency issues in 2005 possibly due to the highly fluctuating exchange rate that Uganda has experienced during the year.

	Top 5 constraints 2004	Top 5 constraints 2005
1	Access to Finance	Access to Finance
2	Inadequate Infrastructure	Government bureaucracy
3	Government Bureaucracy	Inadequate infrastructure
4	Tax Rates	Tax rates
5	Corruption	Foreign currency issues

### Indicator 3.2: Number of Clusters formed outside SCOPE

Imitation was envisaged to occur as a result of SCOPE activities in clusters. This indicator captures the number of clusters formed independent of SCOPE.

LOA Target	Period Target	Achieved	Remarks
4	4	0	The PSFU is still working on the establishment of clusters under the four main arms; i.e. the manufacturing, services, tourism and the agriculture clusters. Implementation is expected to take place during Year 3.

### Indicator 3.1.1: Number of Uganda Brands in Target Markets

Name recognition is the key to increasing competitiveness. Successful branding of Uganda products in targeted markets increases competitiveness.

LOA Target	Period Target	Achieved	Remarks
4	2	2	During the year, SCOPE worked on a new strategy of "Branding Uganda" to cover all Ugandan goods and services. The outcome has been a new logo and tagline "Uganda-gifted by Nature" which will be launched by H.E the President of Uganda during the month of October 2005. SCOPE also assisted a fish exporting company to develop and launch its new brand "Kyoga Wild" into the world. As part of third year activity, SCOPE will assist in branding two strategic commodities to achieve the LOA target of 4.

### Indicator 3.1.2: Number of Competitiveness Communications

Media coverage and reporting have been very effective tools in propagating knowledge and awareness of competitiveness and dialogue. Competitiveness communication activities included articles on competitiveness in newspapers, presentations/workshops on competitiveness to the various publics, press briefings, talk shows on radio; particularly K.FM as well as the newsletters.

LOA Target	Period Target	Achieved	Remarks
160	70	56 in Year 2 (27 in year1)	Cumulatively, SCOPE has registered 83 competitiveness communications which makes up 52% of the LOA target. Twenty seven of these were made in Year 1 and 56 in Year 2 (Details in Annex C). SCOPE has been grounding the media cluster in competitiveness theory and practice and through this grounding, SCOPE has been able to get good and accurate representation in the various media. Presentations on competitiveness have also been made to the various publics in support of cluster initiatives.

#### Indicator 3.2.1: Percent Change in Trade Volume within Selected Agreements

Uganda is a signatory to various trade agreements and these include African Growth Opportunity Act (AGOA), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC). Although these agreements offer immense trade opportunities for Uganda, Ugandan business community is on the whole not aware of the existence of these opportunities. It is SCOPE's role to demystify these agreements to the business leaders through preparation and dissemination of the "Trade Benchmarking Report". With this knowledge the business community is expected to increase trade under the specified agreements.

LOA Target	Period Target	Achieved	Remarks
10%	6%		Trade has been growing under all the agreements with major increases in AGOA. <b>(Data on this indicator is still being compiled for the EAC and COMESA)</b>

#### AGOA

Exports under AGOA have more than trebled from US \$ 1.5 million in 2003 to 5.1 in 2004/05 and this represents 20% of all Uganda's exports to the United States of America. (AGOA Competitiveness Report)

#### EAC

The EAC agreement offers the partner states access to a market of 95 million people if individual partner states take advantage of the provisions of the agreements. The baseline information indicated that in all SCOPE subsectors, Uganda's trade within the EAC accounts for 10%. Despite this overall picture, there are some subsectors where export shares are much higher than the average. Notably in maize, (66%) dairy (19%), cotton (12%) and oil seed (15%) of all Uganda's exports go to the EAC. Trade in flowers is limited at 0.01% and fish 2%. During Year 2 there were some improvements in this trade as indicated in Figure 4.1 below.

## COMESA

The COMESA region covers 20 countries. Uganda's trade within the COMESA region is low representing only 6% of trade in SCOPE subsectors.

**Table 4.13: Trade under AGOA, EAC and COMESA**

	Baseline Value of Trade	Value of Trade 2004/05	% change
AGOA4	1.509	5.147	241%
EAC			
COMESA			
<b>TOTAL</b>			

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4 Source: US Department of Commerce, Census Bureau.

Annex A:

Progress toward Competitiveness through September 2005 – by Sub Sector and Quadrant

Sector	Competitiveness Stage	Competitiveness Determinants by Quadrant			
		Strategy	Factor	Demand	Cluster
Floriculture	Stage 3, with elements of competitiveness under implementation	<p>Meeting with MOFPED, Minister of State for Investment, to discuss potential for him to champion new investment package. Meeting was positive, but follow up delayed due to minister's other commitments</p> <p>Work continued, but not completed, on draft of general investment package. When finalized and agreed the package will benefit other subsectors as well</p>	<p>SCOPE worked closely with USAID, the Privatization Unit, UFEA and the CAA to facilitate transfer of the cold storage facility at the airport to Fresh Handling, Ltd.</p> <p>Met with PMA to work on strategy to address factor issues across agricultural sub sectors</p>	<p>Met with UFEA leaders to review options for a new association logo and branding campaign</p> <p>Reviewed activities related to Flower Ball</p> <p>Uganda Brand developed. This will reinforce and support company brands in floriculture and other subsectors</p>	<p>Met with PMA to outline way forward with regard to organization of cross-sector public sector support for competitiveness</p> <p>Updated draft Industry Development Support Program (IDSP)</p>
Fisheries	Stage 2, with draft competitiveness plan completed	The draft of the National Fisheries Competitiveness Plan was completed and presented to private sector working group for further discussion and completion	Concept for organizing both fisher folk and fish farmers within efficient value chains linked to processors developed	Plans for dealing with marketing, branding, etc. were incorporated in draft competitiveness plan	Drafted plan for development of a Uganda Fisheries Alliance, a private sector organization which would incorporate representatives of both capture and aquaculture segments
Coffee	Stage 2, with draft competitiveness plan completed	<p>A coffee stakeholders' workshop was held on 24<sup>th</sup> May 2005 to discuss and agree on the elements of a national coffee strategy.</p> <p>Draft National Coffee Competitiveness Plan completed and presented to the coffee private sector working group for discussion and completion</p>	Five producer organization models identified to provide the basis for building sustainable producer organization models	<p>Identification of Mukono University as site for next University Competitiveness Club, which will have as one of its activities, challenge to work out plan for increasing local coffee consumption</p> <p>Vision for coffee sub sector developed based on concepts of sustainability and traceability as the basis for the national coffee competitiveness plan</p>	<p>Developed approach, outlined in the draft National Coffee Competitiveness Plan, for strengthening private sector organizations and supporting the development of approaches to standards and certification</p> <p>Developed UCTF Strategic Development Program</p>
Cotton	Stage 2, with draft competitiveness plan completed	<p>Elements of cotton strategy developed based on input of private sector working group and results of field survey.</p> <p>Draft National Cotton</p>	SCOPE worked with a lead ginner to design a producer organization model to form the basis for an industry-wide	<p>Retrieval of information on potential markets for yarn, oilseeds products</p> <p>Development of market</p>	Facilitated inclusion of UGCEA in RATES regional cotton activities

Sector	Competitiveness Stage	Competitiveness Determinants by Quadrant			
		Strategy	Factor	Demand	Cluster
		Competitiveness Plan completed and presented to the Lead Ginners for discussion and completion	sustainable production model	requirements for inclusion in competitiveness plan	
Tourism	Stage 2, with critical elements of competitiveness plan in place	Private sector aspects of industry have been divided into relevant sub segments to facilitate identification of plans and strategies	Meetings held with tour operators and others to clarify issues related to VAT, as well as other issues which make Uganda expensive  Meetings with UWA and other entities to identify product development priorities	Vision for further growth of the industry has been developed  Meetings held with various aspects of industry to review and discuss vision	SCOPE worked with the private sector working group to come up with a concept for a Uganda Tourism Federation (revamped Uganda Tourism Association), to provide a cross-industry venue for private sector organization and focus
Grains	Stage 1, with repositioning strategy and baselines developed	Uganda maize figures in RATES-supported dialogue			Concept for organization structure for UGIA developed for suggestion to group
Oilseeds	Stage 1, with repositioning strategy and baselines developed	SCOPE met with BIDCO, a diversified manufacturer of palm oil products, which has made a \$30 million investment in oil production and processing to identify opportunities for POPP participation	SCOPE held meetings with UOSPA, the Uganda Oilseeds Producers and Processors Association to find ways to integrate that organization into POPP  Attended UOSPA workshop		
Dairy	Stage 1, with repositioning strategy and baselines developed	Dialogue maintained with UDPA			Arrangements made with Land o' Lakes to support policy and advocacy activities for UDPA

**Annex B: Summary of Findings from Executive Opinion Leaders Survey 2005**

Subject	Summary of General Opinion/Perception of Uganda's Business Leaders on the Executive Survey
The Ugandan Economy	The Ugandan economy is growing and will have stronger growth in the next 12 months. Organized efforts to improve competitiveness were mostly non-existent in Uganda. The threat of terrorism to business is insignificant and does not pose significant costs on business.
Technology	Uganda's technology advancement and ability to absorb technology were rated as average as were R&D and Internet services. Foreign Direct Investment is an important source of new technology in Uganda and companies in Uganda are aggressive in absorbing technology.
Government & Public Sector	Uganda's public expenditure is perceived as wasteful and does not provide the necessary infrastructure services. The systems are generally burdensome; taxes limit the incentive to work and invest and the tax system is still complex. Customs is slow and inefficient.
Public Institutions	Public institutions are inefficient and subject to manipulation, unreliable and corruption, favoritism and unofficial payments are rampant especially when soliciting loans. The police and its systems are unreliable.
Infrastructure	The infrastructure is poorly developed and inefficient, costly and unreliable for all modes of transport, (rail roads, and port facilities air transport). Passenger air transport was however quoted as extensive and efficient as the world's best.
Human Resources	Labor productivity in Uganda is average as are the wages. Women are marginalized in terms of employment positions and wages. Maternity laws also do not favor employment of women.
Finance	Financial markets are not sophisticated. Banks are unhealthy and obtaining a loan is complicated, getting worse, requires a good business plan and collateral.
Domestic Competition	There is limited competition and imports are major competitors. Market dominance is by a few big enterprises and local suppliers are few and unreliable.
Prevalence of Clusters	Clusters are not common in Uganda.
Company Operations and Strategy	Uganda's competitiveness advantage is due to low prices. Customers are generally treated badly. There is hence need to train business leaders and companies about the importance of customer care.
Environmental and social responsibility	Uganda's laws on environment are generally lax.
International Institutions	The World Bank and the IMF are generally not doing their work effectively in poverty alleviation and creating a pro investment climate. The African Development Bank was quoted by a few as a more effective body.
General Questions	<p>Out of the list of 15 possible constraints to competitiveness, the five most problematic factors (in descending order of importance) were defined as:</p> <ol style="list-style-type: none"> <li>1. Access to Finance</li> <li>2. Inadequate infrastructure</li> <li>3. Government Bureaucracy</li> <li>4. Tax administration</li> <li>5. Corruption</li> </ol>

## Annex C

**Number of Competitiveness Communications Year 2**

No		Article Title/Topic	Source and/or Audience	Major points
1	Oct-04	Competitiveness Awareness	OTF/MTCS/SCOPE	Competitiveness concepts; competitive advantage vs comparative advantage
2	Oct-04	Compete Uganda! Newsletter Vol1	SCOPE/OTF	Competitiveness Concepts, definitions, poverty creation vs poverty reduction
3	Oct-04	Competitiveness Awareness Survey Lira	SCOPE/OTF/MTCS	Communicating global competitiveness determinants and evaluating Ugandans' awareness of competitiveness potential in these regions by carrying out competitiveness awareness surveys in these regions, including the media cluster.
4	Oct-04	Competitiveness Awareness Survey Mbarara	SCOPE/OTF/MTCS	
5	Oct-04	Competitiveness Awareness Survey Kampala	SCOPE/OTF/MTCS	
6	Oct-04	Competitiveness Awareness Media Cluster Kampala	SCOPE/OTF/MTCS	
7	Oct, 4th 2004	Rose Farm on high	Media cluster Proc. News pg 2	
8	Oct 6th 2004	Increasing Ugandan Competitiveness through a revitalized cotton Industry	SCOPE/APEP/UGCE A	
9	Oct 6th 2004	Building a Competitive Cotton based Industry	SCOPE/COTTON PSWG	Increasing the Competitive Positioning of Ugandan Cotton industry
10	Oct 21st 2004	Toward a National Cotton Industry Business Plan	SCOPE	Making cotton more competitiveness
11	Nov, 1st 2004	Awareness Month launched	Media cluster NV, pg 37	Uganda's first competitiveness awareness month launched
12	Nov, 4th 2004	Competitiveness Newsletter Starts	Media Cluster NV, pg 20	Launch of the CompeteUganda! quarterly newsletter
13	Nov 12th 2004	Strengthening Uganda's National Dairy Industry	SCOPE/Dairy	Increasing the Competitive Positioning of Ugandan Dairy Industry
14	Nov 16th 2004	The Ugandan Grain Industry	SCOPE/Grain	Increasing the Competitive Positioning of Ugandan Grain Industry
15	Nov 30 2004	Towards a competitive Tourism Future	SCOPE/Tourism	Increasing the Competitive Positioning of Ugandan Tourism.
16	Dec-04	Competitiveness Awareness Findings "Bananas to Business"	OTF/MTCS/SCOPE	Uganda's competitiveness positioning & awareness Communicating major findings of survey e.g. Ugandans are optimistic about the country's future and that most Ugandans are still unclear about the determinants of competitiveness.
17	Dec-04	Competitiveness Awareness Findings 2004: SCOPE & Media	OTF/MTCS/SCOPE	
18	Dec-04	Competitiveness Awareness Findings Key Public Sector	SCOPE/MTCS/MOFP ED	
19	Dec-04	Competitiveness Awareness Findings	SCOPE/MTCS/MOFP ED	
20	Dec 10th 2004	Competitiveness -- a Framework for Economic Growth	OTF/MTCS/SCOPE/M OFPED	
21	Jan-05	Compete Uganda Newsletter Vol2	SCOPE & SCOPE Partners	Mindset change, competitiveness awareness survey
22	Jan, 31st 2005	Exporter wants Agriculture Bank	Media Cluster Procurement News, Pg 11	Budgeting for Competitiveness
23	Feb 14th 2005	Moving Floriculture's Partnerships Forward	SCOPE/UFEA/Pub sector	Requirements for a competitive floriculture subsector
24	Feb 15th 2005	The Role of Clusters in Building Competitiveness	SCOPE/MTCS/UFEA	Explaining how clusters work
25	Feb 23rd 2005	Competitiveness Presentation to Uganda Martyrs University Nkozi	SCOPE/USAID	Development of a University Competitiveness Club (UCC) objectives and expectations
26	Feb 23rd 2005	Private and Public Sectors and Uganda's Floriculture Cluster	SCOPE/UFEA/MTCS	
27	Feb 2005	Floriculture Cluster Partnership	SCOPE/UFEA/MTCS	
28	Feb 4th 2005	"A Difficult Puzzle: Can We Say No to Investment?"	SCOPE/Media/Acad emicians	Making investment decisions that lead to increased competitiveness
29	Feb, 22nd 2005	Flower earnings surpass projection	Media Cluster Monitor Newspaper, Pg 15	Launch of second phase of the Floriculture Cluster Expansion.
30	Feb, 28th 2005	Competitiveness Club starts in Varsities	Media Cluster The New Vision, Pg 37	Launch of UCC - Nkozi University
31	Mar 10th 2005	Tourism is Uganda's development engine	Media Cluster + Tourism cluster The New Vision, Pg 20	Amos Wekesa interview with Harriette Onyalla
32	Mar 11th 2005	Radio talk show	Media Cluster Monitor FM, 93.3, 7-	Laurel, Michael Gold, Andrew Mwenda on Live Mwenda Live .

No		Article Title/Topic	Source and/or Audience	Major points
			8pm	
33	Mar 14th 2005	Elements of Fisheries Strategy	SCOPE/Fish	Increasing the Competitive Positioning of Ugandan Grain Industry
34	Mar 14th 2005	A qualitative evaluation of alternative development strategies for ugandan fisheries	SCOPE/IFPRI/Fish	Aquaculture as a means of increasing fish production in view of declining fresh water lake supply
35	March 17 2005	POPP Partnership for Oilseed Production and Processing	S	An Economic Growth Cluster for Eastern and Northern Uganda
36	Mar 24th 2005	Nile Perch endangered	Media Cluster The Monitor, Pg 15	Rosebell Kagumire attending a Fisheries meeting
37	Mar 9th 2005	The role of donor Aid	MEDIA CLUSTER/SCOPE	Andrew Mwenda' s opinion on foreign aid
38	Mar, 3rd 2005	Executive talk - A fourth way for Suruma	SCOPE The New Vision, Pg 19	Laurel Druben
39	Apr-05	Compete Uganda Newsletter Vol3	SCOPE & SCOPE partners	Cotton, floriculture, introduction of UCC
40	Apr-05	Uganda's Competitiveness Future	SCOPE/MTCS/	
41	Apr 5th 2005	Strengthening Uganda's National Coffee Industry	SCOPE/UCTF/UCDA	Increasing the Competitive Positioning of Ugandan Coffee in Global Markets: A Dialogue for Action
42	May 24th 2005	Towards Renewed Coffee Industry Competitiveness	SCOPE/UCTF	
43	Jun, 12th 2005	Foreign Aid has not benefited Africa	Media Cluster Sunday Monitor, Pg 4	Andrew Mwenda's opinion
44	Jun, 16th 2005	Executive Talk - Coffee needs urgent attention	SCOPE The New Vision, Pg 25	Lilliane Barenzi (SCOPE staff) article on competitiveness
45	Jun, 20th 2005	Uganda Flowers in Japan Market	Media Cluster The Monitor Newspaper, Pg 20	Looking for alternative markets - Henderson's Interview with Monitor
46	Jun, 30th 2005	Much more needed to exploit world markets	SCOPE The New Vision, Pg 11	Lilliane Barenzi (SCOPE staff) article on competitiveness
47	Jul 12th 2005	Towards a Competitive Fisheries Future Competitiveness	WAFICOS/SCOPE	Issues in fisheries
48	Jul 23rd 2005	Finding Uganda Workshop Lira	SCOPE/TERP/students	Developing Uganda's brand values using secondary schools
49	Jul 30th 2005	Finding Uganda workshop Mbale	SCOPE/TERP/students	Competitiveness Diamond and the role of branding in the demand quadrant
50	Jul, 18th 2005	Processors working below capacity as catch declines	Media Cluster The East African, Pg 21	Encouraging production of farmed tilapia - Michael Wakabi
51	Jul-05	Compete Uganda Newsletter Vol4	SCOPE & SCOPE partners	Tourism, taxation and markets
52	Aug 6th 2005	Finding Uganda workshop, Mbarara	SCOPE/TERP/students	Competitiveness Diamond and the role of branding in the demand quadrant
53	Aug, 13th 2005	Finding Uganda workshop, Kampala	SCOPE/TERP/students	Competitiveness Diamond and the role of branding in the demand quadrant
54	Aug, 26th 2005	Government strikes deal with CNN	Media Cluster The Daily Monitor, Pg 3	Branding Uganda to increase competitiveness
55	Aug 2005	Aquaculture for sustainable development	SCOPE/UFPEA/WAF ICOS	
56	Sep-05	Uganda's brand values	SCOPE/MTI/MOFA	Uganda's brand values as defined by Uganda's school children

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**H. Dominican Republic Export Sector Analysis, TO #830**

*Start Date: September 15, 2004*

*Completion Date: December 31, 2005*

*Amount of Delivery Order: \$249,711*

The DR export sector must prepare for new challenges under CAFTA-DR. The Export and Investment Center of the DR (CEI-RD), the Dominican Association of Free Trade Zones (ADOZONA), the National Competitiveness Council (NCC) Secretariat and USAID/DR have been engaged in discussions on how USAID/DR can assist them in meeting the challenges facing the sector.

As sectors that have served as traditional sources of growth in the Dominican economy mature, there is a need for the identification and promotion of new growth sectors that will serve as growth poles. The DR is fortunate to have several sectors which appear to have rapid growth potential. What is required is an analysis of their growth prospects, the sources of competition, and the policy or other constraints that could limit growth.

Our consultants have analyzed the potential of four sub-sectors to increase their production and exports to become leading growth sectors for the DR economy. These are: footwear; information and communication technology (ICT); Harmonized System (HS) Code 90 products – optical, photo, technical, medical, etc. apparatus; and HS Code 85 – electrical, electronic equipment. The export growth analyses have identified the constraints, domestic or foreign, that must be addressed for the sub-sector to fulfill that role, and have provided recommendations to be taken to address the constraints, to implement export development strategies necessary to accelerate export growth in these sub-sectors, and to address the constraints to accelerated growth in the sector.

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**I. Strengthening Capacity to Implement Public Private Partnerships in Senegal, TO#20**

*Start Date: February 11, 2005*

*Completion Date: December 31, 2005\**

*Amount of Delivery Order: \$ 359,254*

As part of its strategy to accelerate economic growth, the Government of Senegal wants to involve the private sector in financing, implementing, and operating public works and services. In mid-2004, the government enacted a law to facilitate private sector participation, and requested USAID assistance to enhance their understanding of this financing mechanism and assess the potential for PPPs in Senegal. Under the auspices of USAID/Senegal, Chemonics is providing technical assistance and training to GOS officials, private sector representatives, and civil society leaders.

During the past quarter, the project fielded a team of four consultants for a three-week mission to prepare a needs assessment for private sector participation in the development of educational infrastructure in Senegal. Specifically, the team gathered and analyzed a broad range of

information on the sector, and developed a plan for using PPPs to develop an infrastructure base for community colleges in Senegal. The team submitted a draft plan, known as the *Programme de Colleges Universitaires Regionaux (CURs)*, and is currently working to refine the document based on feedback from USAID/Senegal. Once finalized, the *Programme* will be submitted to the Ministry of Education. USAID plans to use the *Programme* and other related deliverables as the basis for continuing discussions with the Ministry of Education, the *Conseil des Infrastructures*, and other partners interested in promoting the use of PPPs in Senegal.

In the course of this work, the team successfully engaged and gained the confidence of the Ministry of Education's working group for PPPs, as well as other important actors, including members of the government's *Conseil des Infrastructures*. This has paved the way for possible future collaboration.

\*The Regional Contracting Office with authority over the task order is currently considering a request for a no-cost extension of the task order through June 30, 2006 in order to take advantage of the ground work laid for PPPs in the educational arena.

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## **J. Jordan Tourism Development Project (SIYAHA), TO #21**

*Start Date: August 10, 2005*

*Completion Date: August 9, 2008*

*Amount of Delivery Order: \$ 17,132,991*

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### **QUARTERLY HIGHLIGHTS**

The three year, \$17.1 million SIYAHA – Tourism Development Project in Jordan was awarded August 11, 2005. This report reflects a shortened time frame due to the mid-quarter task order signing. Despite being a reduced quarter, significant progress was made towards start-up and work planning, the two primary initial tasks of the project.

The overall goal of this project is to promote Jordan's competitiveness as an international tourism destination. To do this, the project will establish the proper institutional and regulatory framework that will enable a private sector-driven approach that also spurs tourism growth while concurrently preserving the nation's historic and natural treasures.

The two primary objectives are to: 1) ensure institutions and policies are in place that will facilitate the implementation of the National Tourism Strategy; and, 2) promote sustainable

tourism projects, which involve the private-sector resources and participation by local communities, local and international NGOs, and associations, among others, that serve as replicable models of sustainability and best practices.

To meet these objectives, the project structure has been organized into five main areas of focus. These areas are:

- Institutional and Sector Reform
- Product and Site Development
- Industry Competitiveness
- Human Resources and Sector Support
- Program Support

All five focus areas work together to create synergy and build from and upon the work of the others. All areas are inter-related, so often activities that occur impact several areas at once.

The project has a three million dollar grants program that will be used to fund four strategic areas. These areas include: 1) environmental infrastructure with demonstration value; 2) technical assistance and training for members of targeted communities, employees of tourism companies, and entrepreneurs; 3) promotion of the project's tourism products; and, 4) environmental, cultural, and archaeological studies, as necessary, to enhance the aim of the project.

The first quarter of the project was critical to ensuring a smooth start-up, effective work planning, and gaining momentum for the ambitious Year One activities planned.

Highlights of accomplishments for this first quarter include:

- Upon award, project and home office staff were mobilized to conduct a rapid start-up. Within one month the Chief of Party had attended an orientation in Washington, DC and returned to start project activities in Jordan, home office staff were on the ground in Amman, and other long-term expatriate staff members were hired. The SIYAHA team established temporary office space, co-locating with USAID's AMIR project. The team quickly developed systems and processes for effective administration, negotiated and wrote subcontracts, and drafted the first required deliverables.
- Work planning proceeded in parallel with the administrative start-up of the project. Project staff held a series of one-on-one and small group meetings to solicit suggestions and recommendations from project partners, stakeholders, beneficiaries, and donors to guide the Year One Work Plan. An initial draft of the work plan was presented to USAID, the Ministry of Tourism, and the Tourism Steering Committee.
- Modest effort took place on actual implementation of the project scope in certain areas. Examples include defining an initial plan for establishing a DCA program under the project, defining criteria for selecting tourism clusters for product development support, and identifying shortcomings in key national tourism statistics.



## **INSTITUTIONAL AND SECTOR REFORM**

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One of the challenges of creating a successful tourism industry in Jordan is the outdated tourism law, which hinders private sector involvement by creating constraints for enterprise start-up and growth. MoTA currently has all regulatory authority over the industry. To have an effective reform process that will truly benefit the tourism industry, there must be a legal and institutional framework developed that reflects best practices, public sector institutions with a clear mandate and the power to achieve it, and a public-private-partnership among stakeholders impacting tourism development, and the proper tools and methods to collect and analyze tourism data must be available. To achieve that, this project has two main goals in this area: institutional reform; and, legal and regulatory reform.

This quarter priorities were determined in part to establish quick impacts in certain areas, as early successes will positively affect the entirety of work in other areas.

### **Heritage Management and Institutional Strengthening**

A key factor in effective heritage management is the institutional framework under which the DoA operates. SYAHA work on development of the DoA Strategy for Heritage Management can be divided into three phases. Work will follow an initial phase carried out under the AMIR program with the resulting study, entitled "Assessment of Department of Antiquities and Proposals for a New Strategic Framework." Phase 2 will focus on achieving consensus by policy-makers on clarified roles and functions of the DoA. Phase 3 will focus on the adoption of a DoA Strategy for Heritage Management. Finally, phase 4 concentrates on development and implementation of the capacity building plan. Issues and recommendations identified in the DoA Assessment Report were discussed in a meeting with Dr. Fawaz Khreisha, General Director of the DoA. During this meeting, it was agreed that the main principles and recommendations will be discussed and agreed upon in a workshop with the Minister, the Secretary General (SG), and the DoA General Director, in addition to the teams of MoTA and DoA.

### **Centers of Excellence**

USAID created the Centers of Excellence model to be a pillar in the project's objective to reform key public sector partner counterparts. The approach to Centers of Excellence includes assisting organizations to understand and embrace international best-practices in government, which dictate that government should be citizen-centered, results-focused, and transparent. The Centers of Excellence Program then guides multiple employee-led teams through reforms and empowers employees to strengthen the institutions in which they work. This is done by improving communication among the numerous bodies, particularly those in Jordan's tourism sector that participate in implementing the National Tourism Strategy. The DoA is one of those bodies that participate in the NTS implementation. Dr. Fawaz Khreisha voiced his enthusiasm and support of the program and expressed confidence that the process will add value. He plans to identify a core CoE team from the DoA. To propel the momentum gained, preliminary meetings are planned with JTB, RSCN, and JAU to secure buy-in at the leadership level of these primary partner organizations. Secondary meetings are scheduled with MoTA to further previously held

discussions.

### **Tourism Satellite Accounts**

Tourism Satellite Accounting systems are recognized by the World Tourism Organization (WTO) as the most efficient and effective method of gathering tourism statistics. Jordan currently does not employ such a system, but a goal of the project is to work with MoTA to implement TSA systems. Building on support under the AMIR project to MoTA, a tourism satellite accounts expert from the WTO assessed tourism research resources this quarter. Utilizing the current research and data collection capacity of MoTA the expert, Mr. Nizam Lantra, outlined the process for adoption of a tourism satellite accounting system. Informing the newly outlined process was input gathered from the MoTA Minister, Secretary General, and General Intelligence Directorate.

### **Tourism Development Corporation**

Establishing a functioning, effective Tourism Development Corporation is a massive undertaking. The TDC will be comprised of public and private sector partners, financed mainly by the private sector, and will primarily focus on product development. To be successful within the time frame of the project, work immediately commenced to lay the foundation for this endeavor. Partners, including IBLAW and MoTA, gathered to discuss legal issues, vision, mandate, timeline, and strategy for the formation and launch of the corporation. A business model, encompassing information gathered in these meetings, will be drafted to support the development of the Tourism Development Corporation. This business model will be shared with potential partners to gather feedback and gain support.

## **PRODUCT AND SITE DEVELOPMENT**

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Spurring product and site development calls for more investments in specific tourist sites, development of primary and secondary tourist circuits (clustering), and a market-based framework for private investment and management of specific sites. Once these are improved, an innovative and participatory national marketing strategy will be the lynchpin in achieving visible results. One of the first tasks is to create a demonstration project that will serve as the model to encourage and inspire other sites and communities.

### **Competitive Destinations**

The project has initially focused on site-based clusters for competitive destinations. Tourism visitations are currently limited to quick stops at sites with little community interaction and few visitor experiences and spending opportunities. The strengthening of clusters by encouraging the community and private sector to enrich and diversify the tourism experience will result in prolonged visitor stay, increased spending, and job and income creation for the local economy.

By prioritizing from a list of over ten clusters to three clusters that will be assessed, including one which will be selected for a demonstration project, SIYAHA aims to focus its efforts on those clusters where there can be the maximum impact. This will achieve some level of diversity in coverage to include three areas of Jordan (North, Central, and South) as well as various tourism attractions and experiences that relate to the site or attraction (e.g., religious, adventure, and Bedouin experiences, etc.).

First a prioritization methodology and criteria for selection of clusters was developed. Concurrently, operating procedures for Participatory Rural Appraisals at the three primary clusters were designed and established. In doing so, the tools and methods used to conduct the PRAs were examined and assessed. Local consultants have been identified to conduct the PRAs in the next quarter.

Product development opportunities are plentiful in Aqaba, and the present environment for making it a key tourism destination is favorable toward growth. Revolt Plaza and the nearby public beaches topped the list of priorities in discussions with ASEZA Tourism Director G. Nasser. More discussions on development opportunities and constraints are planned in the upcoming months.

Bethany, also known as the Baptism Site, was selected as the first demonstration tourism product, applying lessons learned in the process to future project determined sites. The demonstration project will set a best practice and create a ripple effect for other similar projects and sites to emulate, namely, the development of best practices in site management, innovative visitor experiences, interpretation, and community involvement. Based upon reviews of consultant reports, steps necessary to upgrade the visitor experience have been determined. These steps range from enhancement of visitor services, products, and signage to increased linkages with the surrounding area to create comprehensive experience for tourists.

### **PSP Management of Tourism Assets**

Coordinating with the Executive Privatization Commission on private sector participation, two private-public partnership (PPP) opportunities in the tourism sector have been identified and developed. At least one of the two PPP projects will relate to private sector participation (PSP) in the management and development of a heritage site. The project will also support the development of templates and standards for PSP in the management of the heritage site that goes toward development of MoTA's capacity to manage PSP, leading to more efficient and enhanced visitor experiences and products and services.

### **Marketing**

In anticipation of our grants program, SIYAHA requested and received suggestions from the Jordan Tourism Board regarding their needs for technical assistance, specifically in marketing. Their requests have been factored into work planning and into the general suggested framework for a technical assistance grant. The proposed grant will contribute to capacity building of the JTB and also focus on core marketing activities, namely on developing their capacity in market research, niche product marketing, communication with the local tourism trade, and e-commerce development.

## **INDUSTRY COMPETITIVENESS**

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To increase competitiveness at the enterprise, industry, and national level, the support of enterprises, associations, NGOs, and government institutions needs to be enlisted. There are, at present, many barriers to competition including transportation, borders, quality standards, and methods of investment. To improve quality and service delivery, the project will provide direct support to enterprises through business development services and strategic planning assistance, and design strategies to increase the pool of available capital for the sector. One way to increase capital is through USAID's loan guarantee program, DCA. Creation of a DCA program began this quarter and will be a focus in upcoming months. It was decided to prioritize sites that were previously provided with infrastructure development support to create synergies. Priorities will be identified in coordination with MoTA and key stakeholders.

### **BDS Institutions**

SIYAHA staff held initial meetings with BDS providers and potential local consultants and initiated implementation planning for the BDS/MSME development. The meetings focused on identifying priority areas and initiatives currently underway which could be supported by the project. Synergies were identified and priority projects were accordingly incorporated in the project's first year work plan. In meetings between BDS and MFI groups, the team presented an overview of the activities and future plans under the project, and activities in line with SIYAHA objectives were identified for further follow-up.

### **Business Associations**

In conjunction with work planning, the team held a series of full-day meetings with tourism industry associations to identify initial capacity building requirements and challenges facing tourism associations. Participating tourism associations included:

- The Jordan Hotel Association (JHA)
- Jordan Inbound Tour Operators Association (JITOA)
- Jordan Restaurants Association (JRA)
- Jordan Tour Guides Association (JTGA)
- Jordan Handicrafts Manufacturers Association (JHMA)
- Jordan Handicrafts and Traders Association (JHTA).

The Jordan Society for Tour and Travel Agents (JSTTA) was unable to attend.

Initial capacity building requirements pertain to the following: business planning, staffing and staff training, business development support targeting members, as well as provision of value added services. Also, with the exception of JITOA, associations play a marginal role in policy advocacy, thus targeted capacity building is needed in this area.

In terms of membership structure, tourism associations (with the exception JITOA and JHMA) have mandatory membership. Should mandatory status be amended, intensive training in membership development and self sustainability will be required.

### **Diagnostic Assessment**

Laith AlQasim, a short-term consultant, has been identified to develop a diagnostic assessment tool for associations. This assessment will be performed for seven tourism associations and will cover the institutional, financial, management, IT, programs, and services aspects of each association. In addition, it will examine their efforts and abilities in policy advocacy. Concurrently, associations will undergo a financial sustainability assessment.

Diagnostic assessments will provide detailed status quo analysis and association-specific recommendations across the various assessment criteria. Recommendations will feed into the development of tailor made organizational development plans to be implemented over the life of the project. This is of key importance to support associations in the transition from mandatory to voluntary membership status.

### **Voluntary Status for Mandatory Associations**

There are many implications, legal and institutional, of changing from mandatory to voluntary associations. IBLAW has commenced a study to determine what those implications are, and what the broader impact may be. Associations need to be voluntary to more effectively represent their member interests, contribute to NTS implementation, and improve competitiveness, despite potential impacts. Most tourism sector related associations are currently mandatory, which has led to complacency and lack of motivation to develop value-based services. The only voluntary based association, JITOA, has been very successful in providing member services and benefits during its two years in operations.

### **Private Sector Investment**

During this quarter, SIYAHA Financial Advisor, Ms. Carrie Averch, conducted an initial assessment to draft a three year plan for the project to increase private sector investment in tourism. The USAID DCA scheme and its incorporation into the overall SIYAHA plan was the basis of initial meetings with the Minister, USAID, and the MoTA SG. SIYAHA staff attended an orientation session conducted by Ms. Averch to gain basic knowledge in DCA structure and programs.

## **HUMAN RESOURCES AND SECTOR SUPPORT**

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The private and public sectors must collaborate in order to build the human resource dimension of the tourism industry. The project's two-pronged approach first targets public and private sector actors to promote adoption of the recently drafted national tourism manpower strategy. The second prong raises awareness of the importance of proper training at all levels of the industry and installs standards in education and training. A key success will be the development of a public awareness campaign to educate Jordanians at all levels about the impacts and benefits of tourism to the national economy. This quarter's main achievement was capitalizing on work conducted by the WTO in these areas to build synergies among partners and key players in the industry.

### **Human Resource Development**

Project staff concluded preparations for a comprehensive assessment, in partnership with the WTO, of the state of current human resources development. The assessment will provide an overview of training needs in each sector of the tourism industry. It will enable MoTA and industry associations to monitor trends in training, identify human resource development issues and obtain feedback on the results of policy and training measures. Authoritative data will also enable MoTA and industry to tailor its training and development interventions to meet industry needs and make accurate forecasts for HRD planning and implementation. The assessment will involve inputs from the hotel, restaurant, tourism services, attractions, transport, tour operators, agents and institutions. Findings of the assessment will be used to form a foundation for future planning of industry HRD strategies and to ensure that any HRD initiative has a solid research base.

### **Tourism Awareness Campaign**

During this first project quarter, the team developed a policy framework and strategic approach to improve the general awareness and understanding of the importance of tourism from economic, social, and environmental aspects. To complement this approach, terms of reference were drafted for an attitudinal survey that will gather and analyze the level of awareness and attitudes towards tourism in Jordan. Inclusion of stakeholders is a key factor in success of any campaign; therefore, input was solicited from JTB, both the MoTA Secretary General and the legal advisor, Jordan TV, the Mayor of Ajloun, the Ministry of Education, the Jordan River Foundation, Royal Jordanian Airlines, INJAZ, and the Ministry of Planning.

### **Vocational Training Centers**

Nestle Foundation's Executive Director, Mr. Othmar Sorgenfrei, conducted a mission to assess those Vocational Training Centers that specialize in hospitality and tourism. Possibilities for the future include sponsorship activities, creating and implementing a train the trainer program, and developing teaching and learning materials. This activity will contribute to the promotion of a sustainable tourism project and will involve private-sector resources. It will also serve as a replicable model of

sustainability and best practices. The next phase of this activity will include opening discussions with the Ministry of Labor on how to best implement the developments of Vocational Training Centers while harnessing the resources of Nestle Foundation.

### **Classification Standards**

A key element in standardizing quality, drawing tourists, and providing a comparable product to other destinations is using international classification standards that are considered successful and are ranked as the best globally. The first step in creating such a system—began during the quarter—is reviewing the many international classification standards that exist and compare them to those being used in Jordan. In partnership with MoTA, industry associations will revise the current standards and classification system to reflect the changing trends in classification and grading systems worldwide in line with international best practice. The impact of a revised classification system will be to improve service quality of tourism sector establishments by improving quality assurance systems. The implementation of an effective classification system is an important mechanism to ensure the delivery of a quality tourism product to consumers.

## **PROGRAM SUPPORT AND MANAGEMENT**

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The program support component conducts cross-cutting activities for the entire project in human resources, finance, grants, training, communications, and monitoring and evaluation. During this quarter the component focused on the administrative start-up of the project including establishment of the office, human resources, project processes and systems, and initial project deliverables.

### **Start-Up**

On the day of contract signing, SIYAHA team members in Jordan and Washington, DC began start-up activities. Within four days the Chief of Party, Ibrahim Osta, was contracted and working to hire long-term local personnel and necessary short-term staff. Within three weeks he had traveled to Washington, DC to undergo a chief of party orientation, including sessions on Chemonics systems and processes, and meetings with US-based team members to set out initial responsibilities and priorities. In less than one month, Program Support Component Leader Ruba Freij was fielded from the U.S. to Jordan and began to organize the administrative side of the project, setting up human resources and financial systems.

A team of three Chemonics home office specialists traveled to Jordan to oversee and assist with start-up activities, including facilitating team-building and work planning activities, developing standardized procedures and systems, negotiating with subcontractors, and conducting meetings with USAID. The team included Director David Fratt, Manager Rebecca Talaga, and Associate Benjamin Keating. Field Accountant John Shin later joined the team to establish compliant accounting processes, procedures, and systems. Additional training was provided where needed to Accountant Mustafa Sha'aban.

### **Work Planning**

The project team met with USAID, stakeholders, beneficiaries, potential grantees, and other project partners to listen to each groups' vision for the project, areas they would like us to make a priority, ways in which we can collaborate, and areas we may be able to improve upon. Following on these meetings, component leaders had individual meetings with key stakeholders and partners to expand on issues raised in the larger group meetings. Using this feedback and in-depth knowledge of the tourism industry in Jordan, the project team was able to quickly create a work plan that aimed to not only meet the required project goals, but to build and expand upon the needs of our partners. The draft work plan was presented to USAID and other stakeholders, such as the Ministry of Tourism, and the Steering Committee.

All technical staff attended the regional WTO Conference on Tourism Communications for the Middle East and North Africa in order to further inform the work planning efforts. This conference, held in Amman, discussed the latest communication and media strategies, and best practices for the region.

## Staffing

Nearly all long-term local and expatriate staff members were hired during the quarter. Three support staff positions are still open (administrative assistant, driver, and bookkeeper). These positions will be filled once permanent office space is finalized and vehicles are procured. The interviewing process for these positions has already begun. Training for all staff on proper procedures, operations, and policies has been conducted. An initial test to determine compliance showed that, with the exception of one, all staff members were properly following procedures for filling out timesheets. Corrective measures in place now show the project as 100% compliant. Future tests are planned.

## Office Space

An extensive search for office space showed the difficulty of finding reasonably priced space in a rapidly changing economic environment. Prices have nearly doubled in the past year, which meant that finding appropriate, secure, and reasonably priced office space was a challenge. After viewing more than ten locations, two floors of a building bordering the Shmeisani and Al Rabiya neighborhoods became the clear choice. As the quarter ended negotiations with the landlord were concluding. It is anticipated that office build out will take approximately six weeks and staff will be able to relocate to the new office before the start of 2006.

## Subcontracts

A consortium of five subcontractors was included in Chemonics' proposal. These include International Development Ireland, Inc., PA Consulting Group, Al Jidara, IBLAW, and ICMD. Several of the long-term local staff and important expatriate short-term staff are employed by our subcontractors. Work during the quarter focused on meeting to discuss initial scope and activities, mobilizing priority resources through letters to incur costs, and drafting subcontracts.

## Initial Deliverables

Two 45-day deliverables were submitted to USAID on time—the Small Grants Plan and Manual, and the Initial Measurement and Evaluation Report. The Small Grants Plan presented the action plan for issuing grants under the project. USAID approval is required prior to signing any grants. The Initial Measurement and Evaluation Report outlined baseline data for tourism arrivals, private investment going into the tourism sector, and the amount of tax revenue generated from tourism. It also suggested indicators to follow over the course of the project.

## Training and Events

The chart below shows events during the last quarter.

<b>Title of Event and Venue</b>	<b>General Topics Covered</b>	<b>Attendees</b>
Stakeholder Meeting #1 SIYAHA Temporary Office	Stakeholders presented their work and discussed ways in	JTGA JRA

August 31, 2005	which they can work with the project and/or benefit from it.	JHA
Stakeholder Meeting #2 SIYAHA Temporary Office September 5, 2005	Stakeholders presented their work and discussed ways in which they can work with the project and/or benefit from it.	ASEZA ACOR PNT
Stakeholder Meeting #3 Intercontinental Hotel September 6, 2005	Stakeholders presented their work and discussed ways in which they can work with the project and/or benefit from it.	RSCN DoA MoTA JTB
SIYAHA Internal Teambuilding Workshop Hyatt Hotel September 7, 2005	Guidelines for the project staff	Project Staff
Monitoring and Evaluation Hyatt Hotel September 7, 2005	How to develop, implement, and manage a M&E system	Project Staff
DCA Training SIYAHA Temporary Office September 14, 2005	DCA background and information	Project Staff
Grants and Contracts SIYAHA Temporary Office September 25, 2005	Training on grants and contracts	Project Staff
Work plan Presentation to USAID SIYAHA Temporary Office September 29, 2005	Presentation of work plan	Project Staff USAID

### **Problems and/or Significant Issues**

There were no problems and/or significant issues encountered during this reporting period.

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## **II. Proposal Activity**

### **Proposals Pending**

1. EGYPT ICT Entrepreneurship
2. West Bank/Gaza-PITA: recently rewarded, project is in start-up phase.

## **III. Contract Quarterly Financial Report**

This information is included in Annex A of the report which is attached separately as an Excel file.

#### **IV. Technical Reports and Deliverables**

- No technical reports or deliverables to submit this quarter.

General Business, Trade, and Investment IQC, Contract No. PCE-I-00-98-00015-00

Quarterly Financial Report, June - September 2005

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Period of Contract: 8/13/98 - 2/10/06		Grand Total TO Award Ceiling: \$180,704,939 (Total Award Ceiling of active TOs + Actual Expenditures of closed TOs)					Remaining Ceiling : \$10,545,061			
Task Order Number/Name	Country	USAID TO Contact Information	Total Award Ceiling	Authorized Expenditures (Obligated)	Actual Expenditures	Balance	Start Date	Estimated Completion Date	Date of Completion	Balance In Days (LOE)
<b>ON-GOING TASK ORDERS</b>										
TO #20 Strengthening Capacity to Implement Public Private Partnerships in Senegal	Senegal	CO: Lawrence Bogus (lbogus@usaid.gov) CTO: Scott Dobberstein (sdobberstein@usaid.gov) USAID/Senegal: 869-61-00	\$395,012.00	\$395,012.00	\$109,320.00	\$285,692.00	2/11/2005	12/31/2005	N/A	64.90
TO #21 SIYAHA, Tourism Development Project	Jordan	CO: Charles Mosby (cmosby@usaid.gov) CTO: Eric Johnson (erjohnson@usaid.gov) USAID/Jordan: (962-6) 590-6000	\$17,132,991.00	\$1,000,000.00	\$235,669.10	\$764,330.90	8/10/2005	8/9/2008	N/A	18,959.50
TO #22 Palestinian Integrated Trade Arrangement (PITA)	West Bank Gaza	CO: Dale Lewis (dlewis@usaid.gov) CTO: Dennis Sharma (dsharma@usaid.gov)	\$55,990,604.00	\$55,990,604.00	\$0.00	\$55,990,604.00	9/29/2005	9/28/2008	N/A	8,745.00
TO #811 Ukraine Land Systems Initiative	Ukraine	CO: Iris Young (iyoung@usaid.gov) CTO: Bohdan Chomiak (bchomiak@usaid.gov) USAID/Ukraine: 380-44-462-5678	\$22,492,149.00	\$22,492,149.00	\$18,333,050.00	\$4,159,099.00	6/22/2001	9/20/2006	N/A	27,120.50
TO #821 Bosnia FILE	Bosnia	CO: Donella Russell (drussell@usaid.gov) CTO: Emir Mehmedbasic (emehmedbasic@usaid.gov) USAID/Bosnia: 387-33-702-300	\$9,943,691.00	\$9,100,000.00	\$6,533,736.09	\$2,566,263.91	7/29/2003	8/12/2006	N/A	4,227.38
TO #822 Support to Enhance Privatization, Investment and Competitiveness in the Water Sector of the Romanian Economy	Romania	CO: Clement Butcher (cbutcher@usaid.gov) CTO: Gianina Mancea (cmancea@usaid.gov) USAID/Romania: 40-21-410-1222	\$4,455,796.00	\$3,610,000.00	\$2,787,746.38	\$822,253.62	8/4/2003	8/13/2007	N/A	2,729.00
TO #824 Colombia Forestry	Colombia	CO: Sunil Xavier (sxavier@usaid.gov) CTO: Mustapha El Hamzaoui (melhamzaoui@usaid.gov) USAID/Colombia: 571-423-6880	\$22,700,000.00	\$15,278,000.00	\$11,047,768.47	\$4,230,231.53	8/11/2003	8/10/2006	N/A	2,102.66

TO #825 Paraguay Poverty Reduction	Paraguay	CTO: Sergio Guzman (sguzman@usaid.gov) CO: Ralph Koehring (rkoehring@usaid.gov) USAID/Bolivia: 591-2-278-6399	\$6,196,728.00	\$3,346,456.00	\$2,445,376.00	\$901,080.00	8/15/2003	8/11/2007	N/A	4,003.00
TO #826 Morocco: Assistance for Regional Investment Centers and Investment Promotion	Morocco	CO: Kathleen Bridges (kbridges@usaid.gov) CTO: Nadia Amrani (namrani@usaid.gov) USAID/Morocco: 212-37-63-20-01	\$2,195,463.00	\$2,195,463.00	\$1,847,004.09	\$348,458.91	10/27/2003	12/31/2005	N/A	266.46
TO #828 Uganda SCOPE	Uganda	CO: Mike Rossman (mrossman@usaid.gov) CTO: Diana Atungire (datungire@usaid.gov) USAID/Uganda: 256-31-387-387, 256-41-387-387	\$5,922,598.00	\$5,992,598.00	\$3,331,169.00	\$2,661,429.00	12/18/2003	12/31/2006	N/A	3,374.78
TO #830 Export Sector Analysis for the Dominican Republic	Dominican Republic	RCO: Sharon Wayne (swayne@usaid.gov) CTO: Luis Gonzales (lgonzales@usaid.gov) USAID/DR: 809-221-1100	\$249,711.00	\$249,711.00	\$108,891.49	\$140,819.51	9/15/2004	12/31/2005	N/A	22.40
<b>Subtotals:</b>			<b>\$147,674,743.00</b>	<b>\$119,649,993.00</b>	<b>\$46,779,730.62</b>	<b>\$72,870,262.38</b>				
<b>COMPLETED TASK ORDERS</b>										
TO #1 Office of Emerging Markets	USAID Washington			\$50,000.00	\$0.00	\$50,000.00			9/30/1999	N/A
TO #2 Global Technology Network	USAID Washington			\$1,996,114.02	\$1,939,435.97	\$56,678.05			9/4/2001	N/A
TO #3 Macedonian Business Resource Center	Macedonia			\$1,905,944.00	\$1,898,784.84	\$7,159.16			5/31/2003	N/A
TO #4 Competitiveness Study	USAID Washington			\$40,000.00	\$36,654.10	\$3,345.90			12/14/2001	N/A
TO #14 Increasing the Development Impact of Economic Growth Paradigms	USAID Washington			\$383,099.00	\$334,950.21	\$48,148.79			11/29/2004	N/A
TO #800 Guinea Ag Loan Guarantee	Guinea			\$49,684.00	\$49,705.50	-\$21.50			7/30/1999	N/A
TO #801 Guinea Ag II	Guinea			\$77,336.87	\$74,427.12	\$2,909.75			9/17/1999	N/A
TO #802 Ukraine Business Incubator	Ukraine			\$75,628.00	\$72,543.37	\$3,084.63			11/17/1999	N/A
TO #803 Angola Evaluation of mission's 7-Year Strategic Plan	Angola			\$35,700.00	\$35,700.00	\$0.00			11/3/2000	N/A
TO #804 Egypt Presidents' Council	Egypt			\$1,352,436.00	\$1,319,558.39	\$32,877.61			N/A	N/A
TO #805 Nigeria Macroeconomic Policy	Nigeria			\$1,995,020.00	\$1,945,870.95	\$49,149.05			11/9/2001	N/A
TO #806 Ukraine Alternative Fuels	Ukraine			\$65,290.00	\$62,054.78	\$3,235.22			4/30/2000	N/A
TO #807 Support to the Government of Guatemala for Addressing Business and Trade Constraints and Opportunities and Rural Development	Guatemala			\$339,664.00	\$333,296.03	\$6,367.97			N/A	0.00
TO #809 Activity Management Services in Agadir	Morocco			\$1,656,868.00	\$1,491,941.00	\$164,927.00			7/14/2002	N/A
TO #810 Guinea Revalidation of Mission's 7 year Strategic Plan	Guinea			\$189,553.00	\$188,116.55	\$1,436.45			10/31/2001	N/A
TO #812 Malawi Garment & Textile	Malawi			\$63,246.00	\$59,739.62	\$3,506.38			9/30/2001	N/A
TO #813 Tanzania Tax and Mining Policy	Tanzania			\$1,629,987.00	\$1,436,826.00	\$193,161.00			12/30/2003	123.00
TO #814 Technical Support for Procurement and Project Management and Private Sector Participation in Jordan	Jordan			\$4,695,735.50	\$4,547,162.95	\$148,572.55			6/30/2005	N/A
TO #815 Moldova Financial Management Training and Advisory Activity (FMTAA)	Moldova			\$2,212,579.00	\$2,212,579.00	\$0.00			3/31/2004	N/A
TO #816 Romania Environmental Management and Pollution Prevention Project	Romania			\$1,030,522.00	\$1,030,522.00	\$0.00			1/31/2004	-150.00
TO #817 Bangladesh Competitiveness Study	Bangladesh			\$218,205.00	\$186,280.37	\$31,924.63			12/27/2001	N/A
TO #818 Eritrea Economic Growth and Food Security Sector Assessment	Eritrea			\$200,748.90	\$200,748.90	\$0.00			10/15/2002	N/A
TO #819 East and Central Africa Global Competitiveness Hub	East and Central Africa			\$1,499,933.00	\$1,489,566.10	\$10,366.90			9/15/2003	N/A

TO #820 Bolivia Trade and Competitiveness Hub	Bolivia			\$7,563,551.00	\$7,534,946.00	\$28,605.00			7/31/2005	0.00
TO #823 Institutional Strengthening of Kosovo Electric Corporation (KEK)	Kosovo			\$4,055,796.00	\$4,055,433.25	\$362.75			6/30/2005	N/A
TO#827 Improving the Business and Investment Climate and Implementing Economic Reforms in Nicaragua	Nicaragua			\$424,672.00	\$397,822.43	\$26,849.57			10/29/2004	1.48
TO #829 Senegal Analysis of PPP Potential	Senegal			\$97,796.00	\$95,530.38	\$2,265.62			8/13/2004	2.50
				<b>Subtotals:</b>	<b>\$33,905,108.29</b>	<b>\$33,030,195.81</b>	<b>\$874,912.48</b>			